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ABSTRACT

Farming and food related businesses generate one out of five jobs in the private economy and account for about 20 percent of the gross national product. These instructional materials, designed for use in secondary schools, encourage students to explore the significance of farming to the U.S. economy and the major problems confronting U.S. agriculture. Problems in the agricultural sector create a ripple effect with three nonagricultural jobs lost for every agricultural job lost. The nation's farm problem is the result of human politics and economics. They are rooted in the 1930s and are based on the notion that all farms are alike and that government benefits flow equally to all farms. Large farms represent less than five percent of all farm operations, but they produce almost half of the national farm product. Almost 30 percent of all farm subsidies go to the largest one percent of all producers. A small percentage of the nation's farmers get the bulk of government cash supports. The fact that a large population can be fed through the efforts of a smaller fraction of the labor force is vivid testimony to the accomplishments of farm technology. If the solutions proposed in the 1930s are no longer appropriate to the 1980s, there is as yet no consensus about what the current direction and policy toward farming should be. (SM)

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NATIONAL ISSUES FORUM

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The Farm Crisis:
Who's in Trouble, How to Respond

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As President Kennedy said, "To govern is to choose." The same thing might be said for every citizen in a democracy: to govern ourselves is to choose. But when you think about it, that is a very demanding expectation. Most conversations about public issues consist of little more than the airing of grievances, or comments from the sidelines on what elected leaders are doing — usually what they are doing wrong! It is not easy for most of us to understand important issues well enough to decide what is in the public interest. It is harder still to believe that anyone in public office is interested in hearing what we think and feel.

Yet, since it was formed five years ago, the Domestic Policy Association has been based on the conviction that citizens *can* engage in productive discussion about public issues and that elected leaders *are* interested in the outcome. The goal of these nonpartisan forums is to stimulate and sustain a special kind of conversation, a genuinely useful debate that moves beyond the bounds of partisan politics, beyond the airing of grievances to mutually acceptable responses to common problems.

The DPA represents the pooled resources of a nationwide network of organizations — including libraries and colleges, churches and membership groups, service clubs and community organizations. Last year, some 200 convening institutions in 46 states organized community forums as part of this effort called the National Issues Forum and we anticipate that those numbers will continue to grow. These are nonpartisan meetings in which citizens discuss specific policy issues. Each year, convenors choose three topics for discussion. There is an issue book like this one for each of them, designed to frame the debate by laying out the choices and their respective costs.

This year's topics — crime, immigration, and the farm crisis — pose a special challenge. Each of them provokes an emotional response. For that reason, discussion tends to generate more heat than light. With regard to all three topics, there are sharp differences about the diagnoses of the problems as well as prescriptions about what should be done. The only thing that people seem to agree upon is that current policies aren't working as well as they should. The challenge in these forums is to see if we can "work through" some of our differences to find the common ground on which more effective policies can be based.

This past March, President Gerald Ford hosted a meeting at which leaders and citizens sat down together to discuss the outcome of the 1985 forums. As the meeting began, he pointed out what is distinctive about these forums and why leaders are particularly interested in their outcome. "If citizens are to arrive at a conception of the public interest, it is essential that there be nonpartisan forums such as these in which people who may not agree with each other get together to exchange their views. It is essential for people to find a way of speaking to elected officials not as representatives of special interests but as individuals lobbying for the public interest. Elected leaders *are* interested in what people think, particularly when they've taken the time to learn about the issues and ponder the choices."

Soon after the 1986 forums end, the DPA will once again convene a series of meetings to convey the results to leaders. One of those meetings, to be held in Atlanta at the recently completed Jimmy Carter Presidential Library, will be hosted by President Carter. The discussion will begin with a summary of what took place in the community forums. To make sure that your thoughts and feelings are reflected in that report, we have provided short questionnaires at the beginning and end of this book. Before you begin reading these materials and then after you have read this book or attended community forums on this topic, take a moment to fill out these questionnaires and mail them back to us, or hand them to your forum moderator.

So as you begin this issue book from the Domestic Policy Association, you are joining thousands of Americans in the fifth annual season of the National Issues Forum. As the editor of these books, I am pleased to welcome you to this common effort.

Keith Melville

Keith Melville
Editor-in-Chief
National Issues Forum

NATIONAL ISSUES FORUM

1. The Farm Crisis: Who's in Trouble, How to Respond

Before you read this book or attend the forums, please fill out this short questionnaire. We're particularly interested in how you change your mind on these questions once you've learned more about the issue and had a chance to think about it. So after the forums are over, or after you've finished reading this issue book, we'd like you to fill out a second short questionnaire which appears at the end of the book.

1. To what extent does each of the following contribute to the farm crisis?

	Major Factor	Minor Factor	Not a Factor	Not Sure
a. Bad management by farmers	☐	☐	☐	☐
b. The government has not spent enough to help farmers	☐	☐	☐	☐
c. There are too many farms producing too much food	☐	☐	☐	☐
d. The costs of farming are too high	☐	☐	☐	☐
e. Farmers can't afford to pay back their debts	☐	☐	☐	☐
f. The U.S. doesn't sell enough food to foreign countries	☐	☐	☐	☐
g. The prices farmers get for their products are too low	☐	☐	☐	☐

2. How much priority do you think each of the following should have in the government's farm program?

	Top Priority	Lower Priority	Not a Priority	Not Sure
a. Guarantee a steady and affordable supply of food by protecting all farmers against sudden price shifts	☐	☐	☐	☐
b. Help rural families and communities by providing more assistance to small and medium-sized farms and less to large farms	☐	☐	☐	☐
c. Encourage fair competition in agriculture by scaling down government's role in farming	☐	☐	☐	☐
d. Lower farmers' costs and conserve natural resources by providing special government incentives for farmers who use fewer chemicals and less energy	☐	☐	☐	☐

3. Which of these age groups are you in?

Under 18 ☐
18-29 ☐
30-44 ☐
45-64 ☐
65 and over ☐

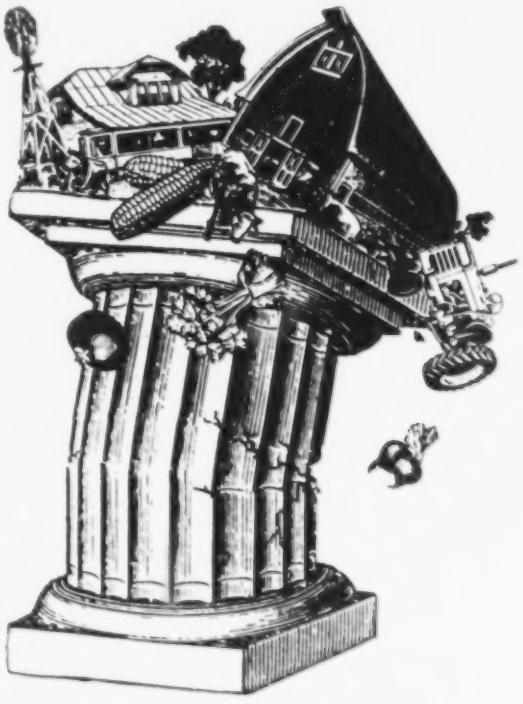
4. Are you a

Man ☐
Woman ☐

5. What is your zip code?_____

So that we can report what you think on this issue to local and national leaders, please hand this questionnaire to the forum leader at the end of the session, or mail it to the National Issues Forum at 5335 Far Hills Avenue, Dayton, Ohio 45429.

NATIONAL ISSUES FORUM



The Farm Crisis:

Who's in Trouble, How to Respond

Prepared by the
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The Domestic Policy Association

The Domestic Policy Association is a nonprofit, nonpartisan association devoted to raising the level of public awareness and discussion about important public issues. It consists of a nationwide network of institutions — colleges and universities, libraries, service clubs, membership groups, and civic organizations — that bring citizens together to discuss public issues. The DPA represents their joint effort to enhance what they already do by working with a common schedule and common materials. In addition to convening meetings each fall in hundreds of communities in every region of the country, the DPA also convenes meetings at which it brings citizens and national leaders together to discuss these issues and the outcome of community forums.

Each year, participating institutions select the topics that will be discussed in the issue forums. On behalf of the Domestic Policy Association, the Public Agenda Foundation — a nonprofit, nonpartisan research and education organization that devises and tests new means of taking national issues to the public — prepares issue books and discussion guides for use in these forums. The Domestic Policy Association welcomes questions about the program, and invites individuals and organizations interested in joining this network to write to: The Domestic Policy Association, 5335 Far Hills Avenue, Dayton, Ohio 45429.

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Major changes in farm policy may be advisable. But leaders aren't likely to arrive at a clear alternative until there is some consensus about long-term goals for the nation's farms.

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Down on the Farm

> **"Despite record-high farm subsidies, many farmers are having trouble making ends meet. It is time to reassess the government's role, to shape a farm policy that balances relief for immediate distress with attention to long-term needs."**

If you had been reading the *St. Louis Post-Dispatch* in August 1985, you might have noticed this unusual listing in the classified ads, under the heading *Business Opportunities: Money Wanted:* "Philanthropist sought. Young, productive, faithful Illinois farm family looking for $400,000 at low interest to consolidate deadly high interest loans. Collateral: $1 million farm."

The farm in question lies several hundred miles north of St. Louis, just a few miles east of the Mississippi. What is striking as you drive through this area are the signs of abundance. The light of a late summer afternoon throws shadows through eight-foot-tall cornstalks. Cows graze on summer green fields that stretch to the horizon. The soil is almost unbelievably rich. This is prime farmland, some of the best agricultural real estate in the world.

Looking for the farm of David and Anita Schroeder, you notice other mail boxes with the Schroeder name. As David Schroeder explains, he was born on the farm and took it over from his father, who some years ago took it over from his grandfather. Farm life is all this family has ever known. The reason David Schroeder placed the ad, he explains, is that he wants the farm to stay in the family.

In the 1970s, Mrs. Schroeder recalls, "We expanded when the times were good." That was when the world market for food was growing, when American farmers presided over what was proudly called the "breadbasket of the world," when Secretary of Agriculture Earl Butz encouraged them to plant "fencerow to fencerow." With some help from local bankers, the Schroeders did just that. They expanded the farm, rented additional acres, and bought new equipment. At its peak, their land — which is so fertile that it produces almost 150 bushels of corn per acre — was worth $2,500 an acre. For years, the farm provided a living for the Schroeders and their nine children.

Their troubles began with a severe drought in 1983. But farmers like the Schroeders are accustomed to the uncertainties of the weather. What has really threatened the survival of their farm is a devastating combination of overproduction, sagging crop prices, and soaring debt. It is a curious problem, and one that offends most of our convictions about farm life and the rewards of hard work. Quite simply, American farmers grow more food than anyone knows what to do with. Abundant harvests are one of the main causes of what is commonly referred to as the "farm problem." Too much food means lower prices. As farmers in this area will tell you, the corn, wheat, and soybeans they grow now sell at a price 20 percent lower than it was a year ago. That's good news for consumers. But it's bad news for farmers like the Schroeders. Moreover, lower market prices mean that the government is obliged to pay more in subsidies to assist farmers. That explains why, when the U.S. Department of Agriculture announced in August 1985 that American farmers would harvest near-record crops of corn,

Kirk — *The Scranton Times*, PA Rothco

soybeans, and other products, there was little rejoicing on the farm, and even less in Washington.

For the Schroeders, declining crop prices mean less income with which to pay off their debts. The problem is complicated by falling land values: their 285 acres, which just a few years ago were worth $2,500 an acre, are now worth far less than that. Consequently, from the point of view of their banker, who regards their land not as soil but as collateral, the Schroeders are less credit-worthy. When they recently went to the Farmers Home Administration (FmHA) — a federal agency that offers loans to farmers who are unable to get credit elsewhere — they were told that they don't qualify for an emergency loan. Last year, according to the Department of Agriculture, some 43,000 U.S. farms were lost, almost 10 percent of them in Illinois. The question now is whether the Schroeders, who are at the end of their financial rope, will join their ranks.

It is particularly galling to farmers, who pride themselves on their independence, that their fate is determined by impersonal and distant forces like fluctuations in interest rates and crop prices, or grain embargoes. But when a farm fails, its loss falls directly and often very heavily on the farmer's shoulders. Such pressures led recently to a tragic murder-suicide on an Iowa farm. The next day, the local paper ran these words in an editorial: "If there's one thing that is clear, it is that the farm crisis is not numbers and deficits and bushels of corn. It is people and pride and tears and blood."

For their part, the Schroeders are still hopeful that someone will respond to their appeal for help. "We feel that there's somebody out there," says Mrs. Schroeder, "who would be willing to take a chance on us. We feel there's somebody who still believes in the family farm."

Scratch a Farmer, the Community Bleeds

While the Schroeders' plea is unusual, their plight is not. According to the Department of Agriculture, almost a third of the nation's 630,000 full-time farmers are in danger of financial collapse. Like the Schroeders, they face falling land values, low prices for their products, and monthly payments on debts that they can no longer afford. America's heartland is in the middle of what is commonly described as the worst period since the Great Depression.

The farm crisis resembles nothing so much as the tornadoes that sweep across the plains in midsummer, twisting as they go, devastating some properties while leaving others untouched. It is not at all unusual to find foreclosure signs on one

"The Farm Belt does not look like a battlefield, but there is a war under way there. What is being contested is the future of American agriculture. Some of the crucial battles are being fought on fertile fields handed down from parents and grandparents."

J. Tevere MacFadyen

farm, while the neighbors on both sides are not only surviving but prospering.

The farm crisis is everyone's problem, and not just because there are economically troubled farmers in almost every region of the country. Agriculture is the nation's largest industry, far larger than steel, automobiles, or any manufacturing sector. Farming and food-related businesses generate one out of five jobs in the private economy, and account for about 20 percent of the gross national product. Consequently, problems in the agricultural sector soon catch up with the rest of us.

In states like Iowa and Nebraska, where at least half of the jobs are tied to agriculture, it is commonly said that "when you scratch a farmer, the rest of the community bleeds." That is particularly true in certain industries, such as the manufacture of farm equipment. Over the past three years, tractor sales have declined by more than 25 percent, and the sale of combines — which commonly cost more than $75,000 each — has declined by half. It is estimated that some 80,000 jobs have been lost in the farm equipment business alone.

Rural areas across the country feel the ripple effect of the farm crisis, a ripple which wipes out three nonagricultural jobs for every job lost in the agricultural sector. "Over the past six months," said Senator Dave Durenberger (R-Minn.) in November, "I have spent my weekends in outstate Minnesota. I have been in towns like Fairmont, where every other storefront is vacant, and Worthington, where 30 businesses have closed their doors since last January, and Madelia, which once had 15 farm implement dealers and now has only one." Recalling a report on the impact of the farm crisis in one rural community, Durenberger said: "The situation in rural America is much more than a farmer's crisis. It is a decline in the economic and social base of our rural communities."

With so many farmers seriously in debt, there is particular concern about the hemorrhaging of the nation's credit system. Most farmers are not in financial peril. But the 200,000 or so farmers who are in financial distress pose a real threat to the agricultural finance system. Altogether, those imperiled farmers hold some $100 billion in shaky loans, which amounts to a major debt problem for the country's banking system. By 1985, agricultural banks accounted for two-thirds of all bank failures. Consequently, bankers as well as farmers are crying out for help.

Distress Signals

Those distress signals have not been ignored. Over the past two years the plight of farmers — the kind of story that does not normally get much play in the national media — has been quite prominent. Both *Time* and *Newsweek* have featured cover stories proclaiming a farm crisis. TV networks and newspapers have carried stories from places like Fargo, North Dakota, and Lubbock, Texas, about the distress of farmers, about rallies held on the steps of state capitols and protests to halt farm foreclosure sales. Movies such as *Country* and *The River* have presented the farm crisis as compelling drama. In the summer of 1985 and then again in 1986, dozens of rock and country musicians came together to stage nationally televised benefit concerts called Farm Aid. By now, few Americans could be unaware that *something* is happening down on the farm that deserves our attention.

But it is far from clear what should be done about the farm problem. Deciding what kind of help farmers should receive is quite a complex matter. In the words of a *New York Times* editorial that appeared just after the first Farm Aid concert: "Enthusiasm could easily turn to bitterness with the realization that Farm Aid can't, and perhaps shouldn't deliver the kind of salvation farmers want. The nation's farm problem is the result of all-too-human politics and economics. Unfortunately, solving it isn't necessarily compatible with solving the problems of individual farmers." It is one thing, in the words of Senator Tom Harkin (D-Iowa), to applaud efforts such as Farm Aid as a way to "focus attention on the fact that the old ways of helping farmers are not working." It is another matter entirely to reach some agreement about solutions that deal with the root of the problem and not just its symptoms.

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Can We Give Away the Food Surplus?

The first Farm Aid concert, an effort to help struggling farmers, came hard on the heels of the Live Aid concert for African famine relief. The extent of the famine problem abroad was suggested by news footage showing tens of thousands of starving Africans. The idea that food surpluses are a problem makes little sense in a world where many are still undernourished. It seems as though this is one of the rare occasions when, by putting two problems together, we could solve them both.

For some years the United States has been the world's largest food donor, providing more food assistance to developing nations than all other countries combined. But could food donation programs be expanded to distribute most of the U.S. surplus? The experience of recent years suggests that a massive effort to redistribute American food surpluses is not the answer.

Couldn't we help American farmers by increasing the amount of food donated to needy people abroad?

Domestic farm surpluses could be reduced by giving away grain and other agricultural products. However, the more that free food is available, the less other countries are willing to pay for American agricultural products. By sending surpluses to developing nations, we run the risk of driving prices down, and hurting farmers who are already suffering from low prices. What American farmers need is not more mouths to feed, but more paying customers.

Wouldn't increased food donations help people who are hungry?

In an emergency, such as severe flooding or drought that actually destroys food supplies, food donations from abroad are an important source of relief. But in most situations where people go hungry, there is no shortage of food within a particular country. More often the cause of famine is poverty, the absence of transportation, or other factors that keep hungry people from getting the food they need.

Don't the people in many developing countries need what we have in American silos?

Unfortunately, much of the U.S. surplus is inappropriate for countries in need. Most of the grain in American silos, for example, is feed grain which is not suitable for human consumption. Our hybrids of rice and corn are not of the same quality as the traditional grains on which people in other nations rely for their nutrition. They rot easily, don't cook well when prepared in the traditional manner, and often provide insufficient protein.

U.S.D.A. Photo

Some people say that our food donations undermine local efforts to solve their own problems. How does that happen?

There is a lot of controversy over the effect of American food aid on receiving countries. Some critics charge that massive donations of food, justified on humanitarian grounds, undermine the food system in the nations that receive them. Dumping large quantities of low-priced American grain in agricultural countries makes it difficult for small farmers in those countries to make a profit. In this way, unimpeachable motives can lead to undesirable results.

Can *anything* be done for the undernourished in developing nations?

When populations go hungry today, it is often because the government has prevented people from feeding themselves, by disrupting civil life (as in Kampuchea), interfering with the marketplace (as in Ghana), or by obstructing relief efforts (as in Uganda and Ethiopia). Where there are real shortages, food donations can be helpful. But they have to be accompanied by other assistance to help the country improve its ability to transport and distribute food. Some people feel that extensive food donations are unwise because they lead to dependency on American food. What we should do instead, they conclude, is to help developing nations become more self-sufficient.

Kirk — *The Scranton Times*, PA/Rothco

Farm Politics on Capitol Hill

For 50 years, the United States has been struggling to do just that, to define a farm policy which strikes the right balance between helping individual farmers and ensuring the prosperity of the American farm system as a whole. Every year since the Great Depression, the government has helped many farmers by promising to buy their crops if they don't command a reasonable price at market. In addition, farmers receive government assistance in other forms, including favorable credit rates, export assistance, tax benefits, and subsidized research. The needs of farmers have hardly been ignored.

Increasingly, however, the government's farm program has come under attack. Some people believe that these supports are part of the problem, and that the government should take a hands-off approach to agriculture. For their part, many farmers regard themselves as the victims of misguided policies that resulted in high interest rates, low commodity prices, and declining foreign sales.

When the farm bill was up for renewal in 1981, members of Congress produced a bill they thought would cost relatively little and would send farmers to the market rather than to the government to sell their crops. But the program turned out to cost far more than predicted. And the nation's farm policy was still regarded by many as a program poorly matched to its objectives.

This past year, Congress tried to set a better course for America's farmers. Its goals were to make American farm exports competitive again on the world market, and to reduce farm spending without pushing too many farmers over the brink. Finally, after months of debate, Congress produced the 1985 Food Security Act, which represented a shift toward a more market-oriented farm industry. But not even its sponsors claimed that the bill resolved the farm debate. Far from ending that debate, it underlined the questions that need to be addressed by citizens and policymakers alike.

When a farm like the Schroeder's is in trouble, how — if at all — should we respond as a nation? Is it a problem that there are 150,000 fewer farms than in 1981? Perhaps, as some argue, we should regard that as the surest sign of the increasing efficiency of the farming industry, a sign to be applauded and encouraged in this industry as in others. The 1985 farm bill favors the largest producers, and is likely to hasten the trend toward fewer farmers. The question is what that means for the nation as a whole, and whether it is a desirable trend.

What is the government's proper role here? Some people are convinced that government intervention itself is at the root of the problem, and that our first goal should be to extricate the government from agriculture. But that goal seems quite distant. The Reagan administration took office with the goal of reducing farm aid, which in 1981 came to $4 billion. Yet this year farm spending will exceed $20 billion. Under the new bill, record amounts will be spent on farm aid over the next few years. At a time when other necessities in the federal budget are being cut back, are such large expenditures for the nation's farmers justified?

Others are less concerned about the cost of farm aid than with what it buys. We pay farmers not to produce under some circumstances, and we are the *only* nation in the world to spend huge sums of money to curtail farm output. Should we reverse direction and return to a market orientation? The new farm bill represents a step in that direction. In the words of Daniel Amstutz, Undersecretary of Agriculture, "The farm bill recognizes that it is markets, not government, that move farm products. It puts farmers more in line with market realities than they've been before."

Should we accept the assertion that overproduction is the source of the problem, that growing food is sometimes the wrong thing to do, and that a substantial number of the nation's farmers should be encouraged to find employment elsewhere? That is a question, not a foregone conclusion, but it is a question that deserves thoughtful consideration. No one doubts that many farmers are in distress. Yet there is little agreement as to what government should do about it. The debate has set urban against rural legislators. It has set farmers against bankers, corn growers against cattle raisers, large farmers against small. Both in Washington and in state capitals, legislators hear public cries to do something about the farm crisis. But while many are eager to help, few are willing to raise taxes to do so. In the absence of any consensus about what to do, it is difficult for policymakers to chart a clear course.

Now that there is widespread recognition of the farm problem, it is time for informed debate about the nature of the prob-

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lem, and our options in addressing it. The discussion should be about the kind of farm sector that best serves the nation's interests, about a farm policy that balances relief for short-term distress with attention to long-term needs.

Which Direction for Farm Policy?

Our purpose here is not to provoke discussion about details such as price supports, or what mechanisms the government might put into place to assist financially troubled farmers, but rather about which direction farm policy should take. In the following chapters, we present four different perspectives on the issue, four distinctive ideas about what should be done.

As we will see in the next chapter, some argue that the principles on which the original farm programs of the 1930s were based are still sound today. They believe that farmers deserve special assistance because they represent a vital part of our economy, one that is inherently unstable, vulnerable to factors over which farmers have little control. They justify continued subsidies to many farmers on the ground that this policy has been successful for years in guaranteeing an abundant food supply at modest prices.

Those who take a second position feel that farm programs designed to respond to the problems of the 1930s are inappropriate today. In many cases, current programs give more help to large farmers than to any others. They argue that our goal should be to help small and medium-sized farms that are in trouble in order to achieve a diverse farm sector and to preserve the fabric of rural society.

Proponents of a third position, the free market position, insist that it is unacceptably expensive to treat agriculture as a special case. Government management of agriculture is both unfair and unsound. In the long run, no one benefits by buying up surplus food or paying farmers not to produce. The key to a more successful farm sector, they feel, is reduced government intervention.

Finally, proponents of a fourth position take issue with some of the assumptions of each of the other positions. They argue that American agriculture is overly dependent upon expensive machinery and chemicals, and the high cost of these products explains why so many farmers are having trouble making ends meet. In their view, if the profit motive alone guides the nation's agriculture policy, we will end up depleting the soil and squandering resources on which future generations of farmers must depend.

These are not mutually exclusive proposals. But they are distinctly different views of the farm problem. Each of these choices would impose certain costs and would favor certain kinds of farms. Each embodies a distinctive view of what is in the public interest. Each represents quite a different perception of what the future should hold for the nation's farmers.

"The great farm debate raises fundamental questions about the government's role and how far we should go as a nation in responding to the distress of farmers. At the heart of this debate are quite different perceptions of the kind of farm sector we should be trying to achieve over the long run."

2

Risky Business

"Jewell and Gil Ivey are decent, hardworking people," says an ad for *Country*, a widely acclaimed movie about farm life in Iowa. "Their way of life is an American tradition — a tradition that is now threatened by government bureaucrats. . . ."

In its opening scenes, *Country* provides a tableau of rural life, and a portrait of people who have chosen a no-frills existence. These are people who are — in the exasperated words of Jewell Ivey — "doing the best we can." Most of all, *Country* is a story about people trying to cope with circumstances beyond their control. It is early autumn, and the Iveys have just been through a month and a half without rain. A storm that sweeps across their fields at harvest time threatens the crops that remain.

But when Gil Ivey learns that he is on a list of troubled debtors compiled by the Farmers Home Administration (FmHA), it is clear that the most threatening uncertainties are in the economic climate. Worried that the agency might call in their loan, the Iveys go to talk with the regional administrator. He reviews their loan, and then says, "You're losing money. You should start thinking about liquidating your assets." Stunned, Gil responds, "You know what farm life is like. You can't look at it in the short run. Farming is a way of life." But the banker has the last word. "No, Gil," he says, leaning across the desk, "farming is a *business*."

> **"Because of their vulnerability and the importance of what they produce, the nation's farms deserve special protection. Our chief goal should be to stabilize the farm market to ensure a steady and sufficient supply of food."**

A Special Kind of Business

That is one of the central questions in the debate over farm policy. Is it appropriate to regard agriculture as we would any other business? Or is it a special case that requires unusual treatment and extraordinary protection?

In *Country* and other accounts of the plight of today's farmers, farm policy and the "government bureaucrats" who preside over it are often portrayed as the villains of the piece. Yet for 50 years, the premise of the federal farm program has been that agriculture is *unlike* other businesses, that it deserves special intervention and protection of various kinds.

For many businesses, the government provides some assistance, such as small business loans, or import fees on foreign products to protect American manufacturers. But in no other business does it take such a central role as in agriculture. The government conducts agricultural research; it helps farmers by providing subsidized water and electricity; it offers not only subsidized loans, but also crop insurance and disaster relief. Most important, it supports the income of many farmers, and, for some crops, manipulates prices and production levels.

The government's role on the farm is as expensive as it is ambitious. A recent report from the Congressional Budget Office concluded that, by most measures, farmers receive more federal assistance than any other sector of the economy. Under the new farm bill, the annual cost of the farm program over the next few years will be about $20 billion.

What is the justification for federal assistance to farmers

Edd Uluschak — *Edmonton Journal*, Canada/Rothco

on that scale? The answer, quite simply, is that farming is a peculiarly risky business and a uniquely important one. The farm program's underlying assumption has been that the best way to sustain agricultural production is to provide a stable market, even if that means paying subsidies to farmers who are not economically distressed. To many of the defenders of the farm program, that rationale is at least as convincing today as it was half a century ago, when the federal farm program was first designed.

Some of the scenes in *Country* — farmers fighting back angry tears, auctioneers selling off farm equipment — look like film clips from the 1920s and 1930s, when plummeting farm prices combined with drought and dust storms to play havoc with the rural economy. One of the lessons of that wrenching experience was that if the farm economy is guided chiefly by the "invisible hand" of the free market, it will be poorly guided. Agriculture needs a moderating hand to smooth out cycles that otherwise would destroy even the best farmers.

In 1933, the Roosevelt administration introduced the first major farm legislation, called the Agricultural Adjustment Act. Under the terms of that act, producers of many crops — including wheat, corn, cotton, peanuts, tobacco, and rice — were required to reduce production in order to eliminate surpluses and increase prices. In return, the federal government agreed to keep farm prices up by buying certain crops when prices were low. The point of the program was to keep farmers in business despite temporary adversity, and thus to ensure a steady food supply to consumers.

Over the years, the farm program has changed in certain respects, but its rationale has remained intact. Then and now, the fundamental purpose of the nation's farm policy has been to help farmers cope with the capricious nature of the physical and economic environment. In the words of a recent report from the Senate Agriculture, Nutrition, and Forestry Committee, "The aim of federal farm policy is to induce elements of predictability into the inherently unpredictable business of farming."

How the Federal Government Helps the Nation's Farmers

It Stabilizes Farm Prices

Farmers are guaranteed a minimum or "support" price for certain commodities. When the market price is below the support price, farmers may choose to turn their crops over to the government and get the higher price. To compete with prices offered by the government, commercial buyers are forced to pay more. Thus, government purchases elevate the market price.

Most government purchases work through a device called a "non-recourse" loan. Here's how such loans work: A farmer takes out a loan from the government, putting up his crop as collateral. The amount he borrows is based on a fixed rate per bushel or pound. If he is able to sell the crop for more than that loan rate, he does so, and pays back the loan. Otherwise, the government keeps the crop. The 1985 farm bill significantly lowered the support price for many crops. This is expected to cause market prices to fall.

The government also supports farm prices by encouraging farmers to reduce production. Since surpluses generally cause prices to fall, shrinking supplies tend to raise prices. In times of surplus, farmers are required to idle a certain percentage of their land in order to qualify for most federal benefits. The 1985 farm bill increased these "acreage reduction" programs, thereby increasing the incentive to farmers to take land out of production. This is expected to reduce surpluses and drive prices up.

It Supplements Farmers' Income

When farm prices are low, the government makes direct payments to farmers. These are designed to increase farm income without affecting market prices. Most of these work through a mechanism called a "deficiency payment."

Here's how deficiency payments work: For certain products, the government determines a fair price, called the "target price." If the farmer has to sell below that price — whether on the market or to the government itself — he receives a cash payment to make up the difference between the selling price and the target price.

During its first two years, the 1985 farm bill will maintain target prices for most crops at their 1985 levels. This will protect farmers from the effects of lower support prices. What they lose in income due to lower market prices, they will gain back in direct payments from the government. Price and income supports and related programs are expected to cost about $20 billion this year.

It Provides Credit Assistance

Through the Farmers Home Administration (FmHA) the government acts as a lender of last resort, offering loans to farmers who cannot get credit elsewhere. The FmHA will make about $2 billion in loans this year. In addition, it will provide almost $2 billion in loan guarantees to private banks that offer credit to farmers.

It Expands Export Markets

The government is involved in many activities designed to expand the export market for farm goods. For example, it helps farm product exporters market their goods abroad, uses its foreign embassies to represent American agricultural interests, and negotiates international commodity agreements. The government will issue $3 billion in loan guarantees this year to foreign buyers to help them purchase U.S. farm products. When foreign governments subsidize their farm exports, thus creating unfair competition, the Department of Agriculture has the authority to respond by subsidizing U.S. farm exports.

It Promotes Agricultural Research

The government funds agricultural research projects ranging from the development of a mechanical tomato picker to peach tree hybridization. It also provides funding for informal information and education for farmers through the Cooperative Extension Service, and supports the land grant universities. This year, research and extension services will cost about $1 billion.

It Encourages Conservation

The Department of Agriculture manages more than two-dozen resource conservation programs. The 1985 farm bill created a "conservation reserve" program, which will pay farmers to stop farming on as much as 45 million acres of highly erodible land — expected to cost about $500 million in its first year. It also introduced the "sodbuster program" which denies farm subsidies to any farmer who plants on highly erodible land that hasn't been cultivated recently.

It Increases Demand for Farm Products

Farmers benefit from programs which help needy people buy food, since this increases the amount of food they can sell. These programs include food stamps and child nutrition programs in this country, and the Food for Peace program, which donates food and extends special credit to foreign nations.

When the farm bill was debated last year, some of the sharpest exchanges addressed the question of whether the government should continue to subsidize farmers by guaranteeing prices. Congressional defenders of price support programs made a point of reminding their colleagues that the hazards to which farmers have traditionally been exposed are still there. More so than other businessmen, as they pointed out, farmers are at the mercy of forces beyond their control.

Due to Circumstances beyond Our Control

Consider, for example, the extent to which farmers are vulnerable to the vicissitudes of nature. While today's farmers have some protection against crop disease, they are still vulnerable to hail, frost, and flooding. A few inches of rainfall during a growing season can mean the difference between a bumper crop and a very disappointing one. A few successive years of bad crops can mean the loss of a farm.

The unpredictability of the weather has far-reaching consequences that affect the prices at which farmers sell their products. In most industries, one can predict how much of a particular product is likely to be produced this year, and even a few years from now. Not so in farming. Next year could bring a record grain crop, causing prices to plummet. Or it could bring a failed wheat harvest, causing prices to soar. But there is no way of knowing these things in advance. Farmers have to plant their crops months before they have any idea how much demand there will be for them, and what price they are likely to command.

Fluctuations in the climate are just one of the uncertainties that makes farming a riskier business than most. Farmers also have to contend with substantial fluctuations in the market. The market for most agricultural commodities is characterized by sudden price shifts. In the three years from 1974 to 1977, for example, the price of wheat fell by 50 percent — the kind of shift that is almost unheard of elsewhere. Most industries have a certain flexibility to respond to shifting markets. An auto manufacturer, for example, can close a plant, or lay off workers. But a farmer who has already planted a crop has few alternatives.

Unlike farmers, most producers are in a seller's market. They are in a position to determine the price they will charge for their product, and to make sure that it covers the costs of production plus a profit. But farmers cannot normally determine the price their products will command at market. Because the supply of food exceeds demand, individual farmers have little choice but to sell at whatever prices are offered. Consequently, in the words of John Adrian, a Kansas wheat farmer, "farm prices don't bear any relationship to the cost of production."

There is another factor that complicates things for the American farmer who sits down to calculate what he should grow, and tries to anticipate how profitable certain crops are

Grant Heilman Photography

Drought-damaged corn

"If it rains today, tomorrow, and next month, and if the army worms and the boll weevil don't get us, we might just break even. But so far as making money this year, no, I don't believe there's a way."

—Jackie Busby, farmer, Unadilla, Georgia, on the effects of a severe dry spell in spring, 1986

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A Profile of America's Farms

There are more than two million farms in the United States

Of the 2.3 million farms in this country, about 630,000 are commercial farms. The rest are mostly part-time or hobby farms, whose owners derive most of their income from off-farm employment.

Farm production has been increasing

The near-record harvest of 1985 produced 20 percent more food than American farmers grew just a decade ago. For example, 276,000,000 more bushels of wheat were produced in 1985 than in 1976. Over the same period, American food consumption increased by just 12 percent.

Many states are "farm states"

Thirty-four states have more than 20,000 farms. However, most of the nation's farm products come from several regions that specialize in agricultural production, such as the Midwest Corn Belt, and California's Central Valley, which specializes in fruits and vegetables.

Farm income is just below the national average

The average income of a farm household in 1984 was $23,658 (including income from off-farm jobs), compared to $27,464 for all households. Just as there is great diversity in farm size, so too, does farm income vary. While some farmers are quite wealthy, others are poor.

Some farmers are in serious financial trouble

Almost one in eight of the nation's full-time commercial farms — or about 75,000 farms — are so deeply in debt as to be in imminent danger of foreclosure. An additional 120,000 commercial farmers are having some trouble repaying their loans.

Fewer than half of the nation's farmers receive federal subsidies

Many farms do not qualify for government subsidies because they produce crops that are not covered by support programs, such as fruits, vegetables, nuts, or livestock. Two-fifths of all commercial farms — or about 270,000 farms — get direct payments from the government through price and income support programs for basic commodities such as grains and dairy products. Many part-time farmers also receive benefits through these programs.

Sources: United States Department of Agriculture; United States General Accounting Office.

likely to be. More than a third of all U.S. crops are harvested for export now, compared to less than one-fifth as recently as 1960. The expansion of overseas markets was a boon to American farmers in the 1970s. But it also made the job of predicting supply and demand more difficult. The economic well-being of American farmers now depends in large measure on dozens of unpredictable events in the international marketplace, such as the strength of the U.S. dollar and production decisions among farmers in Europe, South America, and Asia. Small variations in demand abroad can have a big effect on the prices American farmers get. In many ways, the farmer's fate is in the hands of others.

A Bread and Butter Industry

Ever since the 1930s, the farm program has been based upon the assumption that, because of their vulnerability to so many unpredictable events, farmers deserve special protection. Because of the unique importance of what is produced by this bread-and-butter industry, it is in the nation's interest to provide such assistance. In the words of Representative Dan Glickman (D-Kans.): "Farm policy ought to be considered in the same light as defense policy. You almost have to think of farmers as soldiers."

If our chief goal is to guarantee agricultural abundance, what kind of assistance is most appropriate? Since the Agricultural Adjustment Act was put into effect in the 1930s, the underlying assumption has been that the public is *not* well served by creating a special welfare program for troubled farmers. The aim of government-supported prices has been a stable farm market designed to keep the farm "factory" going at full throttle. These programs manipulate the supply, demand, and price of essential crops. For such a strategy to work, it has to apply not just to small or needy farmers, but to *all* farm producers. If only small farmers received price supports, the largest part of what is produced would still be subject to the fluctuations of the market.

Critics of farm price supports regard them not only as a very costly measure, but also as an indiscriminate handout to a great many farmers, no matter how wealthy. But farm lobbies that have advocated this approach justify subsidies as a way of ensuring farmers at least a minimal return. In their view, it is not in our interest to regard farm policy as a social policy whose goal is to keep every farmer in business, or to prevent population losses from rural areas. The nation is best served by farm programs whose chief goal is a sound farm *economy*. By continuing farm subsidies designed to stabilize prices and markets, we can help most farmers by maintaining a healthy farm economy. We should be less concerned about what kinds of units — large or small — the farm sector is comprised of, and more concerned about the farm sector's overall vitality.

Hawkins/Sygma

Don't Knock Success

From this point of view, the important thing to remember about the farm program is that it has achieved its goal, which was to maintain agriculture's productive base, to provide adequate food supplies at a reasonable price, and to ensure most farmers a standard of living roughly equivalent to that enjoyed by most Americans. Proponents of this view feel that policies that pulled farmers out of the Great Depression and have kept American agriculture productive ever since are as appropriate now as they were in the past.

As Senator Quentin Burdick of North Dakota pointed out during the 1985 farm debate, it is ironic that the very success of this strategy has led to a situation in which many are complacent about the nation's ability to feed itself. "Just think of what our discussion would be today if we were talking about how to get into a position to feed ourselves. Instead, here we are spoiled by mountains of grain, and arguing about whether or not we should pull the rug out from under many of the people who contributed to our bounty."

Food in this country is actually quite cheap. Americans spend a smaller fraction of family income on food than people living in other industrial nations. "Commodity programs for farmers *are* costly," says Representative Wes Watkins (D-Okla.), "but I think we all have to agree that even though farmers have received subsidies in the past, the real beneficiary has been the consumer. I don't think any one of us would want to change a cheap food policy where only 16 percent of our disposable income is spent on food."

Even if you take into account the cost of farm subsidies which consumers pay through their taxes, that still adds only about 5 percent to current supermarket prices. To the proponents of continuing subsidy programs to many of the nation's farmers, this is the bottom line in the farm debate. With the government's assistance, the nation's farm system produces bountifully, and at modest prices. And that is sufficient reason to continue with the policy we have been pursuing.

Others, however, take quite a different view of the nation's farm policy, and who deserves assistance. They feel that policies designed to respond to the problems of the 1930s are inappropriate today, and poorly designed to assist the farmers who most need help. Let us turn now to their view of the problem and of what the government's role should be.

3

Blind Generosity

> **"Assistance isn't targeted to the farmers who need help. Farm policy should reflect a social value, the importance we attach to a rural America consisting of small and medium-sized farmers as well as large producers."**

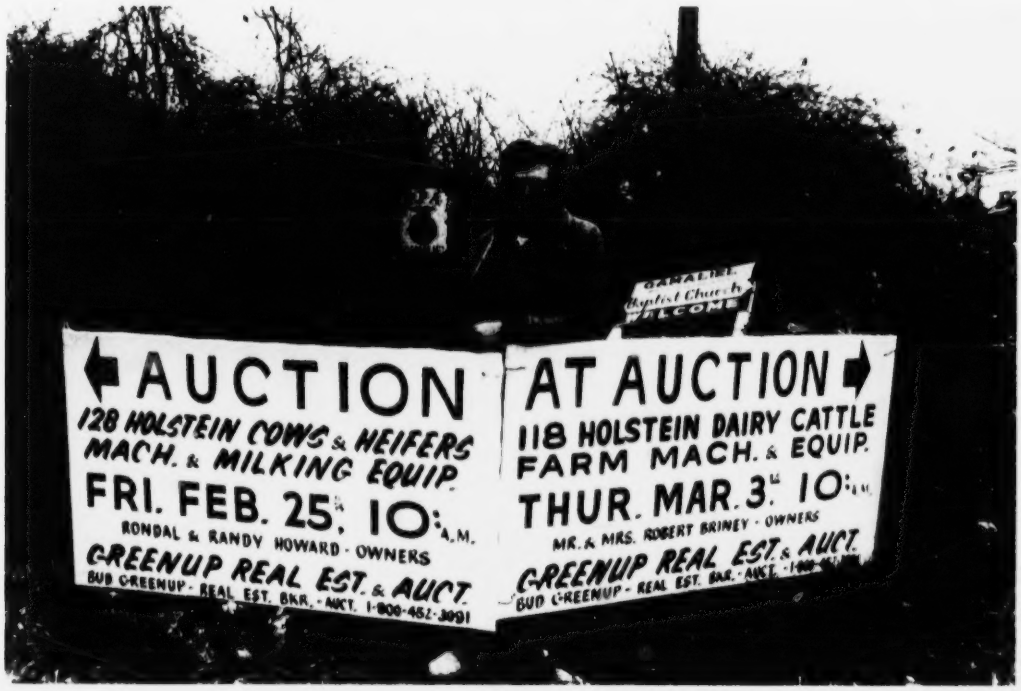
If you travel around the country to places like Sioux Falls, South Dakota, where farm foreclosures have been occurring with numbing regularity, and ask farmers what they want, you hear a repeated refrain. "We don't want welfare," they say. "We want a fair price." The phrase is echoed on the placards displayed at farm rallies that have taken place on the steps of so many state capitols over the past few years. It is the same message that was heard in the halls of Congress this past year when "maintaining farm income" emerged as the battle cry of legislators who were trying to help struggling farmers.

It was the rationale for supporting farm prices and income at a cost of some $18 billion in 1985. The ambitious and increasingly costly price and income supports authorized by the 1985 farm bill represent the most recent step on a path this nation has been following since the 1930s.

Agricultural support programs were devised to respond to the problems of the Great Depression era. At a time when a far larger percentage of the population lived on farms, such programs were a major component of the New Deal relief effort. By subsidizing farm prices and income, the government helped farmers, most of whom were unarguably needy. "The farm programs with which we are familiar," explains Bob Bergland, who was Secretary of Agriculture in the Carter administration, "are rooted in the 1930s and based on the notion that all farms are alike, that benefits flow equally among all farms."

If the average farmer is a person of moderate means, operating a farm of moderate size, and he does not receive a fair income for his labor and investment, price supports can be justified as a way of ensuring farmers a fair return. But, as Bergland and others argue, in that assumption lies the key to understanding why today's farm policies do not work, and why we are paying so much for subsidies with so little apparent success. The farm program no longer meets its original objective of helping needy farmers by stabilizing their prices and income because the farm sector is different from what it was in the 1930s. As the people who take this position see it, subsidy programs intended for needy farmers have become an expensive and ill-targeted giveaway, and one that has the unfortunate effect of favoring large farms.

If the chief concern of the first position we examined is to maintain overall farm production, no matter what kinds of farms are required to do so, the emphasis of this second position is distinctly different. Its proponents feel that we should be concerned about maintaining a diverse farm sector that consists of smaller farms as well as large ones. They insist that the public interest is not well served by encouraging larger and larger farms. They advocate a different approach to providing assistance to farmers, one that provides help specifically to those who need it. To the people who take this position, it is essential to realize that there is no such thing as a "typical" farmer in the 1980s.


AUCTION
128 HOLSTEIN COWS & HEIFERS
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FRI. FEB. 25
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RONDAL & RANDY HOWARD - OWNERS
GREENUP REAL EST. & AUCT.
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AT AUCTION
118 HOLSTEIN DAIRY CATTLE
FARM MACH. & EQUIP.
THUR. MAR. 3
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MR. & MRS. ROBERT BRINEY - OWNERS
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J.P. Laffont/Sygma

Gentlemen Farmers and Jolly Green Giants

To understand the farm sector is to come to terms with diversity. There are small farms and very large ones, and some in between — and the extremes are truly extreme.

Consider first the big farm producers. There are some 112,000 farms in this category, each of which grosses over $200,000 per year. They represent less than 5 percent of all farm operations, but they produce almost half of the national farm product. These are farms that have a heavy investment in land and equipment.

Chief among these green giants are the "superfarms." Less than 2 percent of all farm operators gross over $500,000 a year. In California's fertile Central Valley, for example, the biggest operator is a firm called Tenneco West Incorporated, which holds more than a million acres. In its management, and its use of capital and technology, it is an unmistakable instance of corporate agriculture.

At the other end of the scale are the small farm operations. In this category are about 1.5 million small farmers who account for only 12 percent of farm output. To call them farmers is to say more about where they reside than how they make their living. The owners of these operations earn an average of $18,000 a year, most of which is income from working full-time off the farm. The new small farmers, at least, are often gentlemen farmers who enjoy the agricultural life as a diversion, or "moonlighters" who work at agriculture as a second job.

Between these two extremes are some 520,000 farm operators whose gross income ranges from $40,000 to $200,000 per year. These farms are operated by proprietors who work the soil they own. Some operators of middle-sized farms are doing well financially, and moving up in size. Others, however, are struggling to stay in business, or resorting to off-farm employment to make ends meet.

Despite the diversity of the farm sector, virtually all farms are family-owned and operated. Since 97 percent of American farms are family farms, it is misleading to talk about saving family farming.

Who's in trouble? Not, by and large, the big farm operations, many of which are at least as profitable as commercial ventures in other sectors of the economy. Neither are the smallest farms in jeopardy. Since most of their owners' income derives from off-farm employment, they are in no immediate peril. In fact, in certain regions of the country, the number of small farmers has been increasing. In Vermont, farming is a favorite retreat for urban dwellers who want to get away from it all and claim certain tax advantages in the process.

It is the farmers in the middle, the full-time proprietor-operators, who are being squeezed out. By and large, they are the ones whose livelihood and way of life is endangered. As proponents of this second position see it, the reason why so many of them are in trouble has a lot to do with the nation's farm policy.

Hard Times in the Heartland

MOUNT AYR, IOWA — The town looks as tired, dried-up, and wasted as the dust that settles on the brick-paved streets. Even at midday, the main street is empty, except for the rare patron leaving or entering Lefty's Lounge. At the auction barn on the edge of town, a hundred or so grim-faced farmers sit in bleachers and stare at livestock. Two herds are being sold to pay off farmers' debts.

"Look around you," demands Jack Hughes, a cattleman. "You don't see anybody laughing or telling stories. Everybody's depressed." Three straight years of poor crops have sucked the life out of this south-central Iowa town of 1,900. Hard times are here in rural America.

Few places have been hit harder than Mount Ayr and the surrounding countryside of Ringgold County. Farmland that five years ago sold for $1,200 an acre won't fetch $400 today. The main department store shut down two years ago. In August, one of the two banks failed. Two weeks ago, the grain elevator closed.

Farm suppliers are feeling the pinch, too. Ray Franz, who moved to Mount Ayr last July and took over the John Deere farm-equipment dealership, is close to financial ruin. "Business has been pathetic," he laments. "I haven't sold a combine, I haven't sold a tractor in seven months."

Some have simply abandoned their homesteads. "You can drive around and see tractors just rusting in the field," says County Agent Preston Hayse. "The farmer owes more on the equipment and land than it's worth, so he just leaves."

The real concern is that Mount Ayr will just dry up and wither away, as the crops did in the drought of 1983. School enrollment is declining as young families are forced off the farms. Professionals are moving away. Nearly half of Ringgold County's 6,000 residents are 60 or older.

Meanwhile, farmers get ready for spring planting. After three years of floods and droughts, farm failures and business closings, some feel the worst is behind. Others, like Ed Allee, the Diagonal seed dealer, are not so sure. "I think I'm going to lose 40 percent of my customers in the next five years unless they find some outside income," he says. "I think what's happening now is mild compared to what's coming down the road."

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Welfare for the Wealthy

To its critics, the chief problem with the policy we have been pursuing is the criterion according to which subsidies are distributed. The underlying objective of the farm program — providing income support and protection to farmers — is similar to the objective of many social programs. Yet, there is an important difference in the way benefits are distributed. Through social programs such as Medicaid, Food Stamps, or Aid to Families with Dependent Children, we offer public assistance to help individuals. But the farm program rests upon quite a different principle. Subsidies are based on production, a simple dollars-per-bushel formula. The more you produce, the more you get. While a wheat farmer with 250 acres might get a support loan of $26,000, a farmer with 2,500 acres would get about 10 times as much. While there is a nominal $50,000 limit to what farmers can get in deficiency payments, in practice there are few limits to what agricultural producers can get from the government.

The result, in the words of Representative Byron Dorgan (D-N.Dak.) is that "what began as survival programs for family farmers are becoming the domain of extra-large producers who often elbow aside the very family farmers for whom these programs were intended. . . . Those who produce the most get the most, and they need it least."

A recent study from the government's General Accounting Office shows where the federal farm subsidies are going. Almost 30 percent of all farm subsidies go to the largest 1 percent of all producers. Meanwhile, the 80 percent of all farmers with sales of less than $100,000 a year — the farms experiencing the greatest economic stress — receive less than a third of government payments. In brief, a small percentage of the nation's farmers, many of whom are doing quite well, get the bulk of government cash supports.

In the words of Assistant Secretary of Agriculture Robert L. Thompson, "What the farm income subsidies are really doing is transferring significant amounts of income to larger growers." To its critics, it amounts to a case of blindfolded generosity. Without regard to need, the government hands out farm subsidies not only to struggling farmers but also to million-dollar enterprises — and far more to the latter than to the former.

A Bias toward Bigness

The bias toward bigness that characterizes the nation's farm program is illustrated by what has happened to programs administered by the Farmers Home Administration (FmHA). The agency was created during the Great Depression as a lender of last resort, a banker for small farmers and those struggling to get their operations started. For years, the agency served its original purpose. Then, in the 1970s, Congress added a program called the Economic Emergency Loan Program. To qualify for

J.L. Atlan/Sygma

Beginning in 1985, Farm Aid benefit concerts called attention to the distress of American farmers.

it, you have to be in economic trouble, but you don't have to be small. Soon, the FmHA was lending far more in emergency assistance than in the kinds of loans for which the agency was established. In recent years, as Representative Dorgan points out, 90 percent of the agency's loans have gone to bigger, more established farms, many of which, in his words, are "unlikely candidates for public philanthropy." One politician and judge with an off-farm income of $70,000 and a net worth exceeding $400,000 received $266,000 from the government in such low-interest emergency loans.

As illustrated by the debate over the 1985 farm bill, the farm lobbies have seized upon well-publicized stories about the plight of failing farmers to justify extending the price and income support system. Yet, most of its benefits go to farmers who don't need help. Under the current program, for every one dollar of government subsidies that goes to a struggling farmer, some four dollars go to his more prosperous neighbor — who happens also to be his competitor.

Programs justified in the name of helping the "typical" farmer have done something else entirely. "What we have had," writes farm expert Willard Cochrane, "is a small group of aggressive farmers who, at the existing level of price and income supports, have made good profits. They have expanded their operations by acquiring the land and assets of their less capable neighbors. Government subsidies have increased their capacity to cannibalize the very farmers that the price and income supports were supposed to help. Meanwhile, most farm politicians and farm leaders have been standing on the sidelines, wringing their hands over the demise of the family farm."

It is a cruel irony. While distributing substantial subsidies to large farmers who are doing quite well, less than a quarter of the income and price support payments go to financially stressed farms. It is, writer Jonathan Rauch says, "among the most brutally inefficient welfare programs in the government — amounting to welfare, in many cases, for the wealthy." It is no coincidence, as proponents of this view see it, that medium-sized farms are increasingly being supplanted by larger ones, that large-scale farming is the fastest growing sector in the farm economy.

The important questions, as proponents of this view see it, are which farmers really deserve the government's help, and whether it is in the public interest to have a farm sector that consists mainly of large enterprises.

The Argument for Diversity

To critics of the current farm policy, a farm sector consisting of larger farms is not in the public interest. "I see no reason," says Willard Cochrane, "why taxpayers should provide an income subsidy to large farms. Nor do I believe that taxpayers should be required to pay for programs that help concentrate resources in the hands of fewer farmers and larger farms."

Some assume that bigger farms are more efficient and therefore represent our best bet to achieve further gains in pro-

"Hardly anyone is asking the right questions: Which farmers really deserve the government's help? How can we put cash in the right pockets? Is it in the public interest to have a farm sector that consists mainly of large enterprises?"

ductivity. Yet studies have shown that bigger farms are *not* inherently more efficient. A study conducted in 1979 by the USDA concluded that the average farm reaches 90 percent of its maximum efficiency at a size just over 300 acres. Beyond that, farms don't get more efficient, they just get bigger. The greater purchasing power of large farms allows them to buy supplies at lower prices, and so gives them a competitive advantage over smaller operations. But the most important reason why large farms have been gaining the upper hand is not that they are more efficient producers, but because they are favored by public policy. Their future depends upon special tax benefits and a continuing preference for subsidizing their farming methods rather than those of moderate-sized farms.

Concern about the increasing concentration in agriculture takes many forms. Some fear that if farm production becomes more centralized, a small number of owners will be in a position to monopolize food production and increase prices. Others are concerned that large farm operations are inflexible, incapable of responding to changes in demand. In the words of Representative Dorgan: "Just as a rope of many strands is more flexible and resilient than a single strand, a diverse agriculture of many relatively small units can adjust and change. Unlike the very largest operations, family farmers don't have so much capital tied up in what they did yesterday to keep them from doing what needs to be done tomorrow."

But the chief concern about what we lose when factory-in-the-field agglomerations gobble up smaller farms focuses on their social impact, not their economic consequences. In the 1940s, a researcher named Walter Goldschmidt carried out a study for the Department of Agriculture in which he examined the relationship between the scale of farm operations and community well-being. He compared two rural California communities, which were alike except that one, Dinuba, was made up mainly of moderate-sized farms, while the other, Arvin, was surrounded by large farms. When this study of the social and economic characteristics of the two towns was commissioned, it was assumed that it would show that bigger is better. But, to the contrary, Goldschmidt showed that Dinuba was a healthier community. It was more stable, had more small businesses, enjoyed a higher standard of living, better community facilities and more citizen participation.

By comparison, in Arvin the quality of life was adversely affected by the dominance of a small number of large farm enterprises. A community consisting of 20 large farms is different from one consisting of 200 smaller ones. Not only are fewer combines and silos purchased, there are also fewer homes, schools, and community groups. When farm operations are owned by large firms or land management companies, neither shareholders nor upper-level managers live in the region, and concern for the community diminishes.

As critics of the trend toward a smaller number of large farm operations see it, we have a choice between rural communities like Dinuba or Arvin. If medium-sized farmers continue to go out of business, we risk the loss of entire communities, indeed the loss of a way of life.

Speaking to his congressional colleagues during the debate over the 1985 farm bill, Senator James Abdnor (R-S.Dak.) said: "I want to alert you to a clear and present danger, an America without agriculture the way we have known it. If we fail with agriculture, we will have a rural America without economic purpose and an America without its heritage. The continued failure of our farmers, our rural bankers, our Main Street merchants will ripple disastrously through the fabric of national life for generations to come."

Helping Needy Farmers

From this perspective, it is not advisable to move any farther in the direction of a farm sector dominated by a small number of large producers. Our chief goal should be to help needy farmers. By that criterion, the current policy leaves a lot to be desired. The new farm bill actually increases the amounts big farmers can get from federal programs, thereby inviting further consolidation of farms.

To reverse course, and move in the direction of a diverse

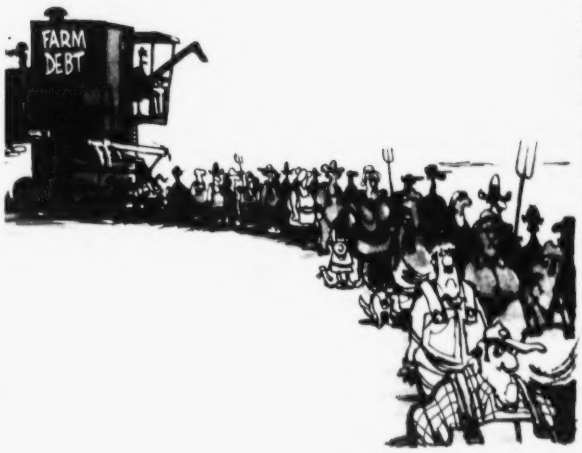
The Credit Crunch

In many cases, the difference between a financially troubled farmer and a prosperous one is the amount of debt that farmer carries. Because farmers rely so much on credit, they feel the pinch of interest rates more than most Americans. Farmers are debtors even in good times because they have to pay production expenses — for their fuel, their fertilizer, their tractors — months before they have crops to sell. Accordingly, the cost of money is one of the farmer's biggest expenses.

In the 1970s, when the value of farmland was increasing rapidly, bankers encouraged farmers to mortgage themselves to the limit. Lenders went door-to-door, asking farmers if they could use more credit. Many farmers increased their borrowing to produce more for an expanding export market, using the rising value of their land as collateral. But then the economic climate changed and prices fell, leaving many farmers out in the cold. The value of farmland fell along with inflation, while the cost of credit soared. Consequently, farmers had to pay substantially higher interest rates. In a business where profit margins are small, the additional expense of a few thousand dollars per year can mean the difference between profit and loss. That is the chief reason why so many farm loans are delinquent today.

In the view of many farmers, today's crisis was largely caused by government policies designed to serve other purposes. The credit crunch resulted from a tight money policy intended to hold down inflation, and big deficits that are tolerated in order to permit tax cuts and a military buildup. Since, in their view, the government is largely to blame for the high cost of credit, it is only fair to take special measures to help financially threatened farmers.

In what amounts to a replay on a national scale of the confrontation in *Country* between Gil Ivey and the local representative of the Farmers Home Administration (FmHA), that agency announced in December 1985, that it was taking action to recover $5.8 billion in delinquent loans. In February 1986, some 65,000 letters went out to farmers who were behind in their payments, offering a variety of alternatives for restructuring their debts. Failing that, foreclosure would be necessary. The notices were accompanied by a letter from Vance L. Clark, the agency's administrator, which read in part, "These are, of course, difficult times in agriculture. You now need to make some tough decisions as to your future. . . ."



Permission: Brian Gable, *The Leader-Post*, Regina, CN

This action provoked protest from many people who felt that the very threat of foreclosure reflected the government's insensitivity to the plight of farmers. Responding to the FmHA's decision, Texas Commissioner of Agriculture Jim Hightower angrily replied that, "the Farmers Home Administration has declared war on its own borrowers. It is attempting to rush thousands of good agricultural producers in the state of Texas out of business." But the FmHA had quite a different perspective. As Vance Clark said: "We are trying to be as fair as we can. We are not intent on putting farmers out of business."

The FmHA's action and the reaction it provoked underline some important questions. Should the government indefinitely extend credit to farmers who are in financial trouble? Or does the government have to act more like a banker, and draw the line at some point? From the point of view of those who believe that government policy has contributed to the credit crisis and to the financial woes of farmers, it is entirely appropriate to extend additional credit assistance to farmers who otherwise would go out of business.

Eliminating the main programs by which government has assisted farmers for the past half-century is a drastic action. Particularly at a time when the farm economy is depressed, and when many farmers are going out of business, doing so would put an additional strain on farmers who are already stretched to the limit. Yet proponents of this second choice feel it is the right action to take. What farmers who are overburdened with debt really need is not expanded price supports — which offer less to endangered farmers than to their prosperous neighbors — but special credit programs that substantially reduce the interest rates they are obliged to pay.

Most of all, we should turn an implicit and ineffective welfare program for farmers into an explicit, well-targeted, and effective welfare program for those who need assistance. There is a reason why, among the various farm proposals considered by Congress this past year, no one proposed a means test for farm subsidies. Because farmers don't want to be on the dole, that is still widely regarded as politically impractical. But proponents of this position are convinced that giving subsidies directly to needy farmers makes a lot more sense than linking subsidies to production levels.

Since farms vary so much from one region to another, and according to the crops in which they specialize, targeting benefits to farms that need and deserve assistance would be no easy task. But this represents a far more promising way to promote efficient commercial farms in a variety of sizes, including the small to medium-sized farms.

"Farm policy should reflect a social value — the importance we attach to a rural America that consists of small and medium-sized farmers as well as large producers."

farm sector, several steps should be taken. As a first step, blatant abuses should be corrected. The 1985 farm bill added yet more exceptions to the rules that limit the benefits of federal programs to large farmers. Proponents of this view are convinced that this is not the direction in which we should be moving.

If we are serious about maintaining a diverse farm sector, fundamental changes in policy are needed. Benefits should be targeted specifically to small and medium-sized commercial farmers. This assistance could take many forms, including management assistance and additional low-interest farm loans. The FmHA loan program should be restored to its original purpose of helping beginning and smaller farmers. Additionally, tax laws should be altered to eliminate practices that are detrimental to small farmers, such as laws that invite farm investment as a tax shelter, thus driving up land prices and discouraging beginning farmers.

In particular, if we are serious not only about keeping as many farmers on the land as possible but also about reducing government expenditures, the entire system of price supports should be eliminated. A program whose purpose and original intention are so seriously at odds with its actual result deserves to be discarded.

Hybrid Vigor

The people who look at the farm problem from this perspective are concerned about what *kinds* of farms receive government subsistence, and about maintaining the diversity of the farm sector. Largely because of subsidy programs that offer across-the-board benefits to many farmers, our policy has inadvertently favored large-scale, factory-in-the-field operations. It has been a very costly program, and one that has led to the destruction of more modest farm operations.

Farm policy should reflect a social value — the importance we attach to a rural America that consists of small and medium-sized farmers as well as large producers. Proponents of this position would use the government's farm policy as a tool to stop the further erosion of smaller farms, to keep many of the farmers in business who are now having so much trouble making ends meet.

However, others in the farm debate take exception to that view, and conclude that keeping those farmers in business is just what we should *not* be doing. As they see it, rather than redefining the government's role in agriculture, we should be scaling it down quite drastically. So let us turn now to this third perspective on the farm problem and what should be done about it.

4

Farmers, Markets, and Profits

> **"Our sympathies have led to a farm policy that is neither sensible nor efficient. Government intervention itself is the farmer's main handicap. Market-oriented policies offer the best hope of restoring prosperity to the nation's farmers."**

In 1984, when the film *Country* was released, some commentators were less than enthusiastic about it. The film was intended as a sympathetic portrait of a beleaguered farm family, an appeal for greater support — particularly from the "government bureaucrats" who were about to foreclose on the Iveys' loan. But as the *New Republic's* columnist TRB wrote, the film unintentionally provided something else entirely.

"*Country* does tell an all-American story," he writes, "though not the one its producers think. Like most Americans, farmers imagine they want the government to get off their backs. But no group is more coddled by government than farmers, and none is more whiny and self-pitying. If, after getting subsidized research and development, subsidized electricity, subsidized crop insurance, subsidized water, subsidized storage, subsidized export promotion, and above all, subsidized price supports, the Iveys still cannot pay off their subsidized low-interest government loans, the government is *entitled* to collect its collateral, even if this means putting the Iveys out of the farming business."

There we are, in the columnist's words, "pulling out our hankies for Gil Ivey" — all the while paying through the nose to support him. Just a few months earlier, as TRB recalls, the Administration appealed for the support of farmers, taking credit for providing them with more than $35 billion in federal resources. The government spends more on programs for farmers than it does on Medicaid and Food Stamps put together. It is a fine example of misplaced priorities, of not putting resources where they are needed. And government support for farmers has been growing even faster than defense spending.

As the column concludes, "It is not merely that the government wastes a lot of money on agriculture — billions to increase production, then billions more to reduce production and/or dispose of the excess — but that the whole extravaganza takes place in a political never-never land, unconsciously well captured in *Country*, where the beneficiaries think they are rugged individualists in the best American tradition."

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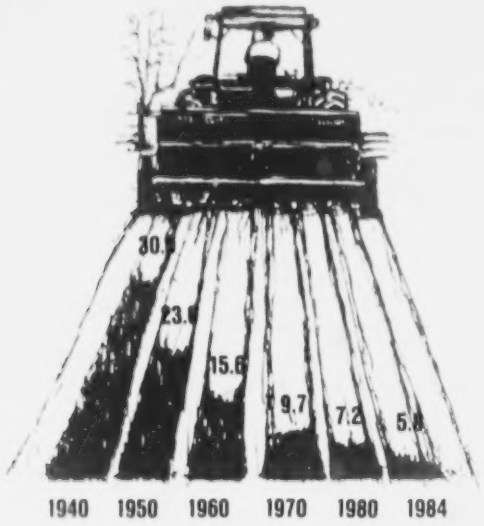
The Farm Population Has Declined

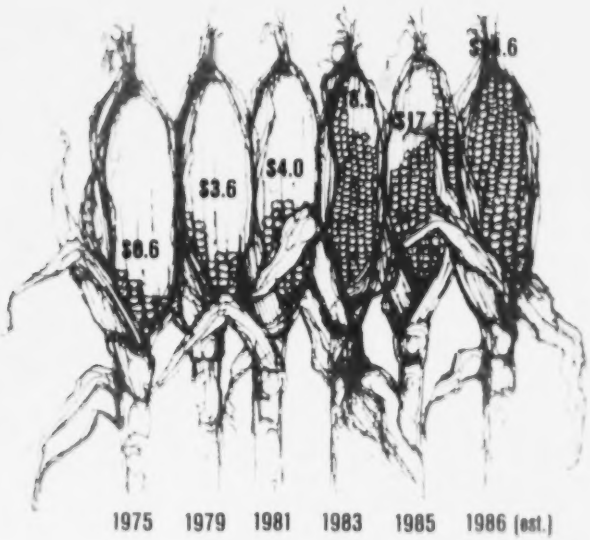
(numbers in millions)



Source: U.S. Dept. of Agriculture

The Cost of Government Farm Subsidies Has Soared

(amounts in billions)



Source: Congressional Budget Office

This is quite a different perspective not only on *Country*, but also on the farm crisis and what should be done about it. To the people who share this perspective, the farm program is a conspicuous example of where our sympathies have led us to the creation of a policy that is neither sensible nor workable.

This view shares many of the concerns of the first two positions we examined. Its proponents recognize that farmers are suffering because their income has declined. But far from concluding that increased government subsidies might solve the problem, people who take this position are convinced that government intervention itself is the farmer's largest handicap, and that market-oriented policies must be the foundation for a successful strategy to restore prosperity to the nation's farmers.

Who's to Blame?

Farm profits have shrunk for each of the past four years, and many of the nation's farmers are insolvent. But who's to blame? In large part, as those who take this perspective see it, farmers themselves deserve much of the blame, especially the "plungers" who are being foreclosed on for loans they should never have taken out in the first place.

In the words of former Secretary of Agriculture John Block, an Illinois hog farmer: "We in agriculture built our own trap. We're all responsible: the farmers who bid up the land; the so-called experts who said, 'Buy another piece of land — they ain't making any more of it'; the lending institutions that couldn't shovel the money out the door fast enough. We all fell into the trap and expanded too much and too fast."

The essence of the free enterprise system is that entrepreneurs can reap the benefits of a wise investment. By the same token, they also take a risk. If a business becomes unprofitable because its owner takes on too much debt or orders merchandise that doesn't sell, the government bears no responsibility for keeping the business going. It steps in only to provide a procedure for bankruptcy, and to offer unemployment compensation to ease employees' transition into another job. In the short run, it is unfortunate and no doubt painful when a firm goes out of business. But over the long run, such adjustments are not only necessary but desirable. That is how the "invisible hand" of the market adjusts supply to demand.

Those who would reduce the government's role in agriculture recall the premise of our economic system. In the economic realm, as in others, government governs best when it governs least. To ensure the long-term health of the farm economy, the government should stay out of it as much as possible. It's not fair, they feel, to allow farmers the rewards of free enterprise while protecting them from the risks, unless we're prepared to do the same for other businesses. That was former director of the Office of Management and Budget David Stockman's point when he said, "For the life of me, I can't figure

out why taxpayers should be expected to refinance bad debt willingly incurred by consenting adults who went out and bought farmland when prices were going up and thought they could get rich."

Welfare for Farmers

If farmers themselves are partly to blame for the farm crisis, so too is government. "For the past 50 years," as John Block puts it, "government has been trying to protect farmers into prosperity and profitability. And what do we have to show for all this help? We have a weakened agricultural sector that lurches from crisis to crisis, from Band-Aid to Band-Aid."

The government has set up various programs to insulate farmers from the market. The result, many feel, is an illogical system that fails both as economic and social policy.

That hasn't always been the case. Abraham Lincoln first proposed an agriculture department to Congress back in 1862, when some four out of five Americans lived on the farm. When Lincoln made the proposal, he applauded the nation's farmers as "a great interest so independent in its nature as to not have demanded and extorted more from government." In its first year, the Agriculture Department, whose initial task was to distribute seeds to farmers, had a staff of nine and a budget of $64,000.

What began as a modest effort to assist farmers has grown dramatically. Initially, aid was targeted on the basis of hardship or national purpose. Over the years, many of the programs lost their original focus but gained political support. Because farmers make up a substantial proportion of the population in rural communities, they can make powerful claims on the legislature. Consequently, farmers' interests are well represented in Washington, and programs that amount to little more than an entitlement for particular farm groups have been maintained and expanded.

To critics of the government's farm program, dairy policy provides a clear example of what has gone wrong. Dairy interests are the farm community's most powerful lobbyists in Washington. For some years, both the support price for milk and the dairy diversion program — in which the government pays farmers not to produce — have been sacrosanct. In 1985, government support for dairy farmers cost about $1.6 billion. This amounts to a costly incentive to overproduction.

Welfare programs are criticized when they don't solve the problems they were intended to cure. Yet there has been relatively little public complaint about farm programs that offer what amounts to a welfare program for farmers. By 1989, it is estimated that farmers will depend on Uncle Sam for more than 70 percent of their net income, up from about 25 percent in 1984. It is a sure sign, say critics, that we are on the wrong path.

"We can't continue with a farm policy built on false hopes and high dependence on the government. Agriculture will be better off with a farm policy that lets the market system work."

—John Block, former Secretary of Agriculture

Mountains of Grain, Rivers of Milk

It is particularly troubling that federal policies exacerbate the problem by stimulating even more farm production. In other industries, when too much of a certain product is produced, falling prices relay a signal back to the producers. If lower prices don't attract more customers, some producers cut back on production, and others go out of business altogether. Gradually, the surplus is reduced as supply adjusts to demand.

But in the farm market, those signals are obscured by the government's presence. When demand is low, the government buys the surplus to keep prices up. Since the government is willing to buy at higher prices, farmers have no incentive to sell on the market at a lower price or to cut back on production. Food is thus produced expressly for sale to Uncle Sam.

It is not surprising, then, that the government ends up with a well-stocked larder. The extent of surplus farm products bought by the government each year is staggering. In 1985, farm products owned by the federal government were valued at $6.9 billion. This included 2.6 billion pounds of dairy products in the form of butter, cheese, and dried milk, 500 million bushels of wheat, 143,000 bales of cotton and 140 million pounds of honey. It costs us almost $400 million a year just to store those surpluses. Despite the fact that the 1985 farm bill lowered the level of price supports to encourage farmers to sell to the market, the amount of grain in U.S. stockpiles is headed for another all-time record this year.

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Critics see no reason why taxpayers should be expected to subsidize farming to a greater extent than other industries.

There are various reasons why American farms have become more productive. Due to selective breeding, growth hormones and better diet, the average cow now produces twice as much as its forebear did 20 years ago. With new hybrids and chemicals coming onto the market, farm productivity can be expected to rise in any case.

But government policy has contributed to the problem of overproduction. Consider, for example, what happens when a farm such as the Ivey's is foreclosed. The land is sold, in many cases to the neighboring farmer, who puts it back into production, knowing that if there is no market for the additional product, the government will buy it. Because of the government's role, this cycle of foreclosure, purchase, and production by a different owner does nothing to correct the underlying problem.

Some programs attempt to solve the problem by offering incentives to reduce acreage under cultivation. But others encourage greater crop production. For example, the government subsidizes irrigation, thus allowing the cultivation of areas that were not formerly arable. The government also offers tax shelters to encourage such activities as feeding facilities for cattle and hogs, and the planting of vineyards and orchards. As critics see it, that is a blatant contradiction. From one pocket, the government hands out tax breaks to encourage farm investment. From the other, it hands out subsidies to compensate farmers for the depressed prices that result from overproduction. By encouraging overproduction, one part of our farm policy creates the very problem that another part seeks to solve. To proponents of this view, it doesn't make sense and it shouldn't continue.

Propping Up the Losers

Another problem arises when government offers subsidies or loans that allow marginal farmers to stay in business. Writer Gregg Easterbrook explains why propping up the losers is the wrong thing to do by imagining what would happen if the government intervened in the computer industry, which is also plagued by overproduction. "Suppose the government stepped into the computer industry," he writes, "to make sure no manufacturer went out of business. Successful companies like IBM and Apple would be unhappy, because the artificial stimulation of supply would prevent them from getting full value for their products. Unsuccessful companies would find themselves in the debilitating position of being dependent on Uncle Sam and ridden with anxiety over whether their handouts would continue. Everybody would be working, yet no one would be happy. There would be a 'computer crisis.' "

That is just what the government has done in agriculture. In the long run, no one benefits from fabricating demand where no true demand exists. What is most unfortunate about such a policy is that it can make losers out of farmers who might have succeeded in a free market.

That is why proponents of this position conclude that government management of agriculture is both unfair and unsound. Two-thirds of American farmers make money without government subsidies. We would have a far healthier farm economy if the rest learned to do the same, or went into another business.

World Markets for a World-Class Producer

In their view, the only realistic way to enhance farmers' income — and the income of food processors, packagers, and wholesalers — is to build demand for American products. America is uniquely blessed with rich farmland, good weather, an efficient transportation system and superior technology. These give us a natural advantage, a competitive edge over farm producers worldwide. There is no reason why American farmers can't continue to provide not only for domestic food needs but also for a larger portion of the world food market. The best solution to the problem of "oversupply" is to expand our markets, to make a more aggressive effort to sell agricultural products abroad.

Exports are the lifeblood of American agriculture. With the produce from one in every three acres going overseas, the export market is crucial to the success of the nation's farmers. For some crops, an even higher percentage goes to foreign markets. In 1981, for example, fully half of the soybeans and three-fifths of the wheat grown by American farmers was for export.

Total agricultural export revenues in 1981, when farmers sent a record 162 million metric tons abroad, were a whopping $44 billion. As it happens, this nation's fortunes as a food exporter have been declining ever since. In each of the past four years, the volume of exports has decreased, sinking to 126 million metric tons in 1985. In fact, farm products now make up less than 14 percent of the value of all American exports, the lowest level since 1940.

The Export Solution: Betting the Farm on It

In an important respect, the 1985 farm bill is a gamble. Searching for a way out of the farm crisis, Congress staked the farm's future on the international market. One of the bill's chief goals is to raise farm income by increasing agricultural exports, to deal with surpluses by regaining a larger share of the world market. But there are real differences about whether this is realistic. Here are two views on whether the world market offers a solution to the farm crisis.

"American agriculture has a great future if it is willing to compete for exports."

In the 1970s, American farmers plunged into world markets. At a time when demand outpaced supply, many countries looked to the United States for help and American farmers were happy to oblige. Throughout the 1970s, the value of agricultural exports increased at a phenomenal rate — from about $9 billion in 1972 to $41 billion in 1980.

In recent years, however, several factors combined to undercut our position as a food exporter. In part, farm exports declined because of factors beyond our control. But one of the prominent themes in the debate over the 1985 farm bill was the belief that farm policy itself is to blame, and that a revised policy can help American farmers reclaim a larger share of the world market. "I'm certain that American agriculture has a great future," said John Block, "but only if it is willing to compete for exports at world market prices."

Accordingly, the farm bill lowered price supports to bring U.S. farm products in line with world prices. In effect, Congress cut the price for which American farmers sell their crops overseas by about 25 percent, making U.S. products far more competitive. The rationale is that by lowering prices, American farmers will attract a larger part of the international market, and thus gain in volume more than they lose in price.

Its defenders believe that lower prices will stimulate sales, especially in East Asian countries like Japan, South Korea, and Taiwan, which have the foreign exchange to pay for imported products. By 1995, the Agriculture Department expects East Asia to double its beef imports, and to raise its dairy imports by 50 percent. The department is betting that U.S. farmers can capture a large share of that expanding market.

If this gamble pays off, farmers abroad will cut back on their production in response to lower U.S. and world prices. Farm exports from the United States will once again be on the increase, and so too will the income of American farmers.

"We are arranging a picnic that fewer and fewer nations may want to attend."

People who are skeptical of the strategy reject the argument that price is the main reason for the recent failure of U.S. producers to sell overseas. The world has changed a lot since the heyday of American farm exports in the late 1970s. Because of those changes, it may not be possible to regain such a large share of the international food market.

The question is whether there is still much international demand for exported food. In the words of Ward Sinclair, who covers agriculture for the *Washington Post*: "The politicians and experts who orchestrated the Great Farm Debate of 1985, with its emphasis on regaining lost foreign markets, overlooked a stunning fact: the world is producing more food than ever before believed possible. Many of the countries that only a decade ago were thought incapable of feeding themselves are doing just that today."

The People's Republic of China, for example, with a billion mouths to feed, is now able to export certain farm products. Bangladesh, which in 1971 inspired the first rock-relief efforts, is now self-sufficient in food grains. Even India has a food surplus. With its export-oriented farm policy, writes Sinclair, the United States "is in the process of arranging a picnic that fewer and fewer nations may want to attend."

The export strategy faces other obstacles as well. Price is only one of the factors that influences international buyers. Politics plays a role, too. In agriculture, as with manufactured goods, many countries have erected trade barriers designed to protect domestic producers from foreign competition. Diplomatic and strategic considerations come into play, also. For example, Japan balances its trade surplus with China by purchasing agricultural goods there.

As a result, the export strategy is not as promising as it seems. To a significant extent, the success of the 1985 farm bill is riding on the sale of American farm products abroad. If it fails, American farmers and taxpayers alike will end up paying the price.

Why have American farmers been losing ground in the international market? Here too, proponents of a market-oriented policy are convinced that government interference is to blame. The nation's farm program, especially its price supports, prices American farmers out of the international market. To advocates of a market-oriented policy, the 1985 farm bill represented a step in the right direction. It cut price supports in an effort to make American farm goods competitive with those produced in other countries. To the proponents of a market-oriented farm policy, an aggressive effort to regain a larger share of the foreign market is the best hope for American agriculture, the most promising way to enhance farm income.

Too Many Farms, Too Many Farmers

Sometimes it is easier to see what is in the public interest by looking at what was done in the past, and examining its results. The people who propose a market-oriented farm policy point to the long-term decline in the number of farmers, and insist that it's a good thing that it happened. Higher productivity by a smaller number of farmers is a good measure of increasing efficiency and productivity. If assistance had been offered to every troubled farmer in the 1930s, when more than one in four Americans lived on farms, today's economy would be far less productive. But the farm exodus continued at relatively high levels even into the 1950s and 1960s. In 1951, for example, the number of farms declined by 220,000; in 1961 by 138,000. Yet here we are, at a time when the number of farms declines by only 40,000 or so each year, considering bailouts to prevent a painful but necessary process. This nation would be better off with fewer farms and fewer farmers.

What we should fear is not a market that adjusts to changing circumstances by putting people and capital to better use, but a political process that responds to immediate distress with decisions that are in no one's long-term interest. In the midst of debate over the 1985 farm bill, Representative Kika de la Garza of Texas, chairman of the House Agriculture Committee, said he might support certain changes in the farm program, but only if they could be accomplished "without sacrificing a single farmer." As writer Gregg Easterbrook comments, "That is like saying, 'Let's cut back the bloated defense budget — as long as no contractors lose work.' "

Here, as elsewhere, there is a cost to each policy we might pursue. One of the costs of moving toward a more prudent farm policy is that some farmers and their families will have to find other employment. Government should not stand in the way of the process.

If it is appropriate to be more charitable to farmers than to other displaced workers — an assumption that many advocates of a market orientation reject — extraordinary measures could be taken to ease their transition into nonfarm employment. The state of Nebraska, for example, has been running a program called "Farmers in Transition" since 1984, which provides ex-farmers with job training and placement services. That modest effort provides an example of what can be done for farmers when it no longer makes sense for them to stay in agriculture.

One writer, James Bovard, proposes a more radical effort along those lines. He advocates generous incentives to persuade marginal farmers to move to other lines of employment. As Bovard suggests, "Instead of paying perpetual bonuses for not producing, the government should offer struggling full-time farmers a one-time severance payment. In return for hanging up his plow, every farmer with a net worth of less than $50,000 could be given up to $50,000 to help start a new life. This would provide a humanitarian transition and cost relatively little. After this generous bailout, there would be no excuse for crafting agriculture policy as if most farmers were widows and orphans. There would be a shakeout. But it would be far cheaper over the long run than continuing to gold plate every granary in the land."

Free Markets

From this perspective, the debate over the future of America's farms is about whether government or free markets do a better job of guiding farm production. Despite unprecedented government subsidies, the farm sector is in severe distress. To many, that is a clear indication of what should be done. "We can't continue with a farm policy built on false hopes and high dependence on the government," says former Secretary of Agriculture John Block. "Agriculture will be better off with a farm policy that lets the market system work."

What role should the government play? Few people would completely eliminate the government's role in agriculture. Even among those convinced of the value of a market-oriented farm economy, there is general support, for example, for a continued government role in agricultural research. But it is clear what the government should *not* do. It shouldn't offer incentives to overproduction. It shouldn't imperil the farmer's ability to compete in international markets. And it shouldn't do anything that is contrary to the interest of the most efficient producers.

Some consider it shortsighted and inappropriate to regard agriculture as we would any other business, where prices and production levels are determined by the laws of supply and demand. To advocates of a market-oriented farm policy, that is the only sensible way to proceed, and the most promising solution to today's crisis.

But others feel that the only real solution to the farm crisis lies in doing something about the costs of today's farms, because the reason so many farmers are in financial trouble is the high cost of the kind of agriculture that they practice. They propose a change not just in farm economics, but in the practice of farming itself. This, the last of our four choices, is the one to which we now turn.

5

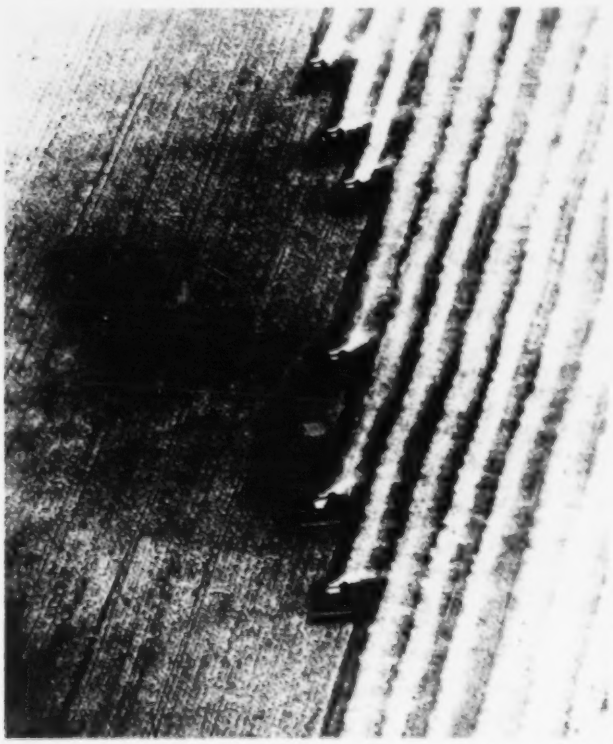
Remodeling the Farm

Just west of Willard, Kansas, a billboard posted next to Interstate 70 is intended for people who are passing through this flat and fertile landscape and may not notice anything remarkable about it. In awkward, homemade letters, it says, "ONE KANSAS FARMER FEEDS 78 AMERICANS." The numeral "78" is painted on a separate shingle, which allows it to be regularly updated. Watch this space, the sign seems to be saying, for that number will only get higher.

When you think about it, that is a remarkable statistic. Fifty years ago, three times as many farmers were required to feed a population that was only half its current size. As recently as 1972, the average American farmer produced enough food for 53 Americans, not 78. The fact that we are able to feed a larger population with a smaller fraction of the labor force, with plenty to spare, is vivid testimony to the accomplishments of farm technology. Bigger planters and harvesters, more effective pesticides, herbicides, and fertilizers, new strains of genetically engineered seeds — all have combined to make today's farm a marvel of efficiency.

Long the most traditional of pursuits, agriculture in the United States is now one of the most progressive. Gains in productivity have resulted from the fact that many of America's farms are now highly mechanized and scientifically sophisticated. The message of that roadside billboard is that everything's up to date not only in Willard, Kansas, but throughout the farm sector.

"The root of today's crisis lies in the farm practices that contributed to higher productivity. The only responsible direction for the nation's farms is one that encourages farming practices that can be sustained."



J.P. Laffont/Sygma

Critics of current farming practice point to its high cost and to the environmental damage it causes.

National Archives

Since the 1930s, one of the goals of farm policy has been to encourage conservation measures such as contour farming.

Those advances seem an obvious boon to farmers and consumers alike. Modern technologies free farmers from back-breaking labor. With up-to-date equipment, plowing is relatively simple, weeding is done with chemicals, and mechanical fingers do the picking that used to occupy human hands. Ultimately, the consumer is the beneficiary. We enter the local supermarket assuming not only abundance but variety. We take for granted a dazzling array of food, including carrots produced in California, strawberries from New Zealand, and asparagus from Chile. We purchase midwinter melons, not bothering to notice how remarkable it is that such products are now available year-round.

If there is a problem on America's farms, it seems reasonable to conclude, its solution must lie in the direction of even more efficient production to permit higher farm income. Yet some of the participants in the farm debate are not convinced that this is the right direction to take. They argue that the best solution to the farm crisis is to cut farmers' costs by reducing their dependence on expensive machinery and costly chemical fertilizers and pesticides.

Since the 1950s, most of the discussion about agriculture has proceeded on the assumption that the number of mouths each farmer feeds is a sufficient measure of agricultural efficiency, and that this trend will continue indefinitely. But some people are convinced that the trend toward even more-productive farms cannot be sustained. In fact, it is not in our interest to try to do so. The root of today's crisis, as they see it, lies in the very farm practices that contributed to higher productivity, practices that have transformed the rural landscape over the past 40 years.

Big Tractors, Straight Rows

An important, if rarely acknowledged fact about America's farms is that they have undergone a fundamental transformation since the 1940s. Prior to World War II, most farms were relatively small, compact enough to be managed by a single farmer. Limits were imposed by the farm technologies available, and by the needs of the region in which farmers sold their products. Though there were regional specialties — cotton and peanuts in Georgia, dairy products in Vermont, cattle and hogs in Iowa — most farmers grew various commodities, whatever they could sell in regional markets. The emphasis was on variety and flexibility, and attending to the idiosyncrasies of one's land.

In the postwar period, several influences contributed to what is commonly called "the second agricultural revolution." When the war ended, many farmers had substantial savings. More often than not, those savings were used to purchase new technologies — larger tractors and harvesters, chemical pesticides and fertilizers. In order to compete, farmers had to boost their production. By making maximum use of energy-intensive technology, they were able to produce more, using less labor.

The new technologies did more than increase yield. They transformed agricultural practice. Consider, for example, the impact of the new implements that allowed a single well-equipped farmer to do what a handful of people could not have achieved just a few years earlier. The new tractors that began to appear on America's farms were impressively large, cleanly efficient. To justify their considerable expense and take advantage of the economies of scale they promised, farmers increased their land holdings. In 1950, average farm size was about 200 acres; by 1980, farms were more than twice that size.

Today's farms are not just larger, they are different, chiefly because of the capabilities of the new machines. Unlike their smaller predecessors, these machines are not easily turned, and they are not well suited to operating on a contour. They are made for long, straight runs. To accommodate them, fields were enlarged and windbreaks eliminated. Since they are easier to go through than around, marginal acres formerly left out of production were plowed. As critics of the new agriculture point out, what was lost in the process were conservation practices taught in every 4-H club, such as contour plowing and terracing.

The inflexibility of new technologies led to greater specialization. As you drive across the corn belt, you can't miss the fact that these are not truck farms designed to produce a range of products. Specializing in one or two crops, they more closely resemble factories designed to produce a single, standardized product. More than half of the carrots grown commercially in the United States, for example, hail from California's Central Valley.

Like other instances of specialization, this "monoculture" is efficient but inflexible. Geared up to produce one or two crops, farmers have little flexibility to respond to fluctuations

in the marketplace. Moreover, this regional specialization means that a large part of your food dollar pays for the costs of transporting farm goods. It costs more to ship a bunch of carrots from California to New York than it does to produce it in the first place.

The tendency to plant more and more acres with the most profitable crop creates other problems as well. One advantage of planting a different crop on a particular plot of land each year is that it reduces insects and weeds. If you choose to plant corn repeatedly, you deplete the soil of its nutrients and attract corn pests and the weeds that prosper amidst cornstalks. This is one of the reasons why farmers have resorted increasingly to synthetic fertilizers, pesticides, and chemical weed killers.

The appeal of these chemical products is simple to explain: farmers turn to them to boost their yield and their profits. But here, too, what seems sensible in the short run is imprudent over the long run. In their haste to boost their yield, critics charge, farmers have become fertilizer addicts. Each acre of American farmland is covered on average, with more than 100 pounds of chemical fertilizer every year. By substituting inorganic fertilizer for sound land management, farmers are led to overlook the consequences of soil depletion.

A Bad Bargain

As its critics point out, the new agriculture has been accompanied by new costs and consequences. The old ideal of farm productivity, writes J. Tevere MacFadyen, "involved doing the most with the least, while the new ideal, far from shunning expensive investment, has embraced it as the swiftest route to increased production." When you take into account its hidden costs, the new agriculture is neither so efficient as it appears nor so good a bargain.

While technology seems to have made modern farms far more efficient, it has really done just the opposite. It is true that fewer people are needed to farm the land, and that the amount each farmer produces has soared. But farm labor was reduced by drastically increasing the amount of machinery and chemicals used. In 1980, U.S. farming required only one-fifth of the total labor used in 1930, but three times more machinery and twenty times more chemicals. Since 1967, both the average horsepower and the amount of fuel used on an average farm have doubled. Over the same period, there has been a fourfold increase in the price of diesel fuel.

This explains why so many farmers who are successful in raising abundant crops are not nearly so successful in making a profit. While the old agriculture was less productive, as measured by the number of farm laborers required to produce a certain yield, it was also much cheaper. For decades, net farm income has been rising. But farm expenses — including the cost of chemicals, fuel, and capital — have been rising even faster, and that has helped push many farmers to the brink of insolvency.

> "The very techniques that have been advertised over the past generation as the farmers' salvation should be recognized as the cause of chronic surpluses, crippling costs, rapidly eroding topsoil, and environmental pollution."

In addition to its high cost to farmers, some say, the new agriculture imposes other costs. One of those costs is that many of the products from today's farms, such as tomatoes that look and taste as if they were made in factories, are a pale reminder of their forebears, the triumph of quantity over quality.

More worrisome are the environmental side effects of the new agriculture. Proponents of this position argue that pesticides used to boost farm output have serious long-term consequences. Over time, pests develop resistance, and thus require greater amounts of toxic chemicals — leading to what has been called the "pesticide treadmill." Despite a tenfold increase in the use of pesticides over the past 30 years, crop losses to pests are approximately the same today as they were in the 1950s. While farmers use chemicals in increasing quantity, their impact on the environment has become increasingly apparent. They add to the salinity of the soil, and are the chief cause of rural water pollution.

Losing Ground

Most of all, new farming practices have led to an alarming increase in soil erosion. In some parts of the country, like Orange County, California, it seems as though the farm crisis consists mainly of the transformation of pastures into parking lots. But the real cause for concern, as spokesmen for this view see it, is that we lose twice as much farmland each year to topsoil erosion than to urbanization.

Rich topsoil is the farmer's chief asset. Without it, farmland isn't worth much. Yet, practitioners of the new agriculture have not guarded against its loss. Some people say that more than a quarter of all cropland acres are eroding at rates exceeding

From this perspective one of the goals of farm programs should be to reverse the trend toward regional specialization and to encourage farmers throughout the country to grow a greater variety of crops.

the soil's regenerative capacity. During the days of the "Dust Bowl" in the 1930s, the air was black with blowing soil, and thousands of once-fertile acres were stripped of their productive potential. That crisis gave rise to the first federal efforts in soil conservation. But, some people worry that soil erosion is as serious a problem today as it was then. In all, according to the Department of Agriculture Soil Conservation Service, some five billion tons of topsoil are washed away or blown away annually, enough to cover New England's cropland with one foot of earth. This includes three billion tons lost from American farmland.

In their eagerness to reap the benefits of these new, more "efficient" farming techniques, many farmers have neglected the most elementary rules of conservation. For every inch of topsoil lost in a cornfield, yield declines by about three bushels per acre. Accordingly, farmers face a choice. They can either accept a gradual decline in yield per acre, or they can resort to even heavier applications of fertilizer.

So this is quite a different view of the farm crisis. To the proponents of this view, it is in everyone's interest to stop the destruction of the farms' productive potential. When a farmer fails to preserve his land, it is not just his business that fails. He leaves a legacy of land that no one else can farm for years to come.

"The abundance of America's farms is no illusion," says Wes Jackson, founder of the Land Institute in Salina, Kansas, and one of the leading spokesmen for a new approach to farming. "But it is an illusion to think that abundance can be sustained." The only responsible direction for farm policy, in the view of Jackson and others, is one that acknowledges all of the costs of the new agriculture, one that encourages farming practices that *can* be sustained.

Repeatedly, farmers and policymakers have offered a seemingly straightforward solution to the farm problem. Directly or indirectly, they propose to raise the price of farm products to enhance farm income. But perhaps there is a more promising approach. Why not focus instead on what can be done to reduce the farmer's production costs?

Better Farms, Not Bigger Ones

Proponents of this view believe that farmers could cut their costs and conserve the land by practicing what they call sustainable or regenerative agriculture. This means reducing or eliminating the use of chemicals, using machinery that is flexible enough to permit the best use of the land, planting a wider variety of crops, and conserving the soil.

What would be required to move toward a sustainable agriculture? First, we should recognize what government policy can do to discourage wasteful farm practices. The 1985 farm bill took a step in this direction by penalizing farmers who put highly erodible land into cultivation. But advocates of a sus-

tainable agriculture want a more comprehensive effort to encourage more prudent methods of farming.

The goal of that effort should be better farms, not bigger ones. For years, policymakers have paid lip service to "family farms." Yet on the whole, farm policy has favored large-scale producers and the practitioners of the new agriculture. Government-subsidized farm research, for example, has led mainly to innovations suitable to large-scale producers. Little effort has been devoted to developing alternative methods suitable to farmers with modest budgets and smaller plots of land.

Why is it in our interest to preserve smaller farms? As the people who take this position see it, it has little to do with romantic images of farm life, or preserving smallness for its own sake. Rather, it is founded on the belief that a sustainable agriculture is more likely to be practiced on small or medium-sized farms whose proprietors have a long-term interest in preserving the value of the property and its yield. Organic methods can be used on large farms. But as proponents of this approach see it, if we want effective stewardship, it is not in our interest for most farms to be run by large-scale firms, whose managers are often less knowledgeable about their property, and more interested in short-term profits.

This doesn't mean that government policy should have as its goal keeping just any small or medium-sized farmer in business. Nor does it mean that subsidies should be denied to all large farms. It means that we should be less concerned about the size of the farm than about the type of agriculture practiced there. We should stop rewarding farmers — small or large — who plant a single crop repeatedly and destroy the soil while aggravating the problem of surpluses and falling prices. Federal benefits should be available only to farms that practice sound, sustainable farming techniques.

Additionally, the goal of farm policy should be a more diverse, regionally responsive agriculture. We would be better off if most farmers planted a greater variety of crops, including some that are not usually grown commercially in their regions. If they did, transportation costs would be lower. It would be better for the soil. And it would give farmers more flexibility to respond to fluctuations in the market.

This is a challenge to the conventional wisdom of farm practice, and one that rejects the assumptions on which most of America's farms — and the nation's farm policy — have been based for a generation. Its premise is that farmers should use the least expensive, least energy-intensive methods of growing crops. Its guiding principle is that farmers should try to produce only as much as the soil can support while maintaining or even increasing its productivity.

So this view adds an ethical dimension to what has been regarded almost exclusively as a matter of economics. The rules of a sustainable agriculture satisfy our obligation to leave to future generations soil that is at least as productive as the land on which today's abundance is based.

> "As important as efficiency and profits are, public policy should balance them against other values — among them the importance we attach to leaving something for the next generation."

But Is It Practical?

Advocates of sustainable agriculture are quick to point out that it is not an effort to turn the clock back, or to turn our back on technology's indisputable benefits. Because of their inflexibility and their effects on the land, some farm technologies should be discarded. Others, however, should be embraced as useful tools for creating a sustainable agriculture. A case in point is Integrated Pest Management. Developed through computer modeling, this is a sophisticated method which uses crop rotation and new breeds of insect-resistant plants and limited, selective use of pesticides, rather than massive spraying to keep away pests.

Still, this vision of sustainable agriculture is dismissed by many as a well intended but ultimately impractical proposal. Several years ago, in response to a journalist's question about whether American farmers could convert to organic or sustainable agriculture, former Secretary of Agriculture Earl Butz replied that it would first be necessary to decide which 50 million people should be allowed to starve. It is a common criticism of this kind of farming that it would inevitably lead to declining agricultural yields, and perhaps to higher food costs for consumers.

There are other objections as well. Farmers on large, highly mechanized farms in the corn belt have invested so much in specialized equipment suitable only to the new agriculture that they have no immediate alternative to planting fencerow to fencerow and hoping that prices exceed their production costs.

Arthur Grace/Sygma

Although organic methods may result in somewhat smaller yields, proponents say that the lower cost would allow farmers to come out ahead.

Advocates of a return to sustainable agriculture acknowledge that the transition they describe will not be easy. It amounts to a fundamental alteration in farming practice, a reversal — among other things — of a long-standing trend toward a diminishing farm population.

It is not realistic to think that agricultural practices adopted over several decades can be discarded in a moment. But sustainable agriculture may not be so impractical as it seems. According to George DeVault, editor of *New Farm* magazine, "economics are the big thing" in persuading farmers to consider organic techniques. Experience on commercial farms in the Midwest suggests that although yield may decline, costs would drop more, and farmers would come out ahead. And, since overproduction is a problem, declining yield that might result if farmers adopted these techniques could actually bring benefits to the farm industry as a whole. After all, we're already encouraging farmers to reduce production to cut surpluses and raise prices. Especially for the operators of small and medium-sized farms — many of whom are desperately looking for ways to cut costs and stay in business — sustainable agriculture offers an appealing alternative.

Even its advocates acknowledge that sustainable agriculture is a minority view. But they are not preaching to an empty room. As farmers look for ways to reduce costs and environmental risks, the number of organic farms is growing. If the proponents of this view have their way, a far larger segment of America's farmers would switch to sustainable agriculture.

The Road Back

From this perspective, the very techniques that have been advertised over the past generation as the farmers' salvation should be recognized as the cause of chronic surpluses, crippling costs, rapidly eroding topsoil, and environmental pollution. This is also a reply to those who feel that the best way to resolve the farm crisis is to resort to a free market system. The weakness of the market is its short-term perspective, its focus on supply and demand for this year's crops. The public interest is not well served by "solutions" that respond only to short-term considerations, not long-term needs. Efficiency and profits are important. But public policy should weigh them against other values — among them the importance we attach to leaving something for the next generation.

So this is quite a different view, both of the underlying problem and of what should be done. "The new agriculture which worked so spectacularly well for a while no longer works at all," writes J. Tevere MacFadyen. "The time has come to transform American agriculture again, not into a quaint approximation of the old agriculture's forms, but into a new realization of the old agriculture's values: conserving, labor-intensive, locally responsive, flexible by design and of necessity thrifty. What we need now is something that works."

Which Direction for the Nation's Farms?

> "Major changes in farm policy may be advisable. But leaders aren't likely to arrive at a clear alternative until there is some consensus about long-term goals for the nation's farms."

A camel, as the old joke has it, is what a committee produced when it tried to design a horse. Whatever it was that the members of that committee were thinking of, they clearly weren't looking at their creation as a whole. It is not surprising, then, that the camel they produced was neither pleasing to the eye nor well suited to the tasks they had in mind.

Much the same thing might be said about the nation's farm policy. Regarded as a whole, it seems ill conceived and it pleases no one. The displeasure with it is shared by farmers, taxpayers, and politicians alike. Farmers complain that government subsidies don't offer enough help. Taxpayers, faced with the most expensive farm program in history, are alarmed over subsidies that seem to be growing like weeds, and draining the treasury. Meanwhile, elected officials are caught in the middle, with costly subsidy programs that are difficult to cut back because vocal and well-organized constituencies fight to keep them.

When the farm bill was up for renewal in 1985, many people called for a major overhaul. Among other things, the President proposed to phase out the entire price support system. In advocating substantial reductions in farm subsidies, he was trying to do what his predecessors in the White House had repeatedly advocated. But like every Chief Executive since Harry Truman, President Reagan discovered how difficult it is to reform the farm program.

By the time members of Congress got down to the business of actually writing the 1985 farm bill, talk of radical reform all but disappeared. In the words of Senate Majority Leader Robert Dole, "Farm bills satisfy everyone — except those who live in cities, those who live in small towns and those who live in the country." Despite all the time and effort that went into the new farm bill, what came out of the process once again, it seems, was a camel, not a horse.

The Perennial Crisis

Why is it so hard to change a policy that so few are willing to defend? "Every time we do a farm bill, the short-term outlook overwhelms all other considerations," explains William Hoagland, staff director of the Senate Budget Committee. "Compared to whatever was in that morning's paper, what we want from agriculture, and what our long-term goals ought to be, stands no chance of consideration."

As Congress deliberated over the farm bill of 1985, the severity of the farm crisis made real reform all but impossible. Observers on Capitol Hill pointed out that it was a clear case of political concerns overshadowing long-term policy considerations. Many members of Congress come from states where the farm vote can swing an election. With the 1986 elections just around the corner, these representatives were nervous about any initiative that would cut farm supports and undermine their political support.

When the new farm bill was finally agreed upon, its high

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Ed Gamble. Courtesy, *The Florida Times-Union*

cost was justified as a necessary response to a dire emergency. Critics point out that ever since 1933, when Secretary of Agriculture Henry Wallace described the new federal price support program as "a temporary method of dealing with an emergency," farm bills have been justified on that basis — not as sound policy but as a response to an immediate crisis.

That was what Bob Bergland had in mind in 1981 when he reflected on his experience first as a congressman and then as Secretary of Agriculture in the Carter administration: "I remember those years now as one crisis after another, a seemingly endless debate on agriculture bills with little or no discussion of agricultural policy. The problems were seldom clearly defined. If they were, they were cast as narrow but immediate crises that needed patches quickly. We never seemed to get off the familiar tracks: the level of price and income supports, export levels, budget constraints. I was never convinced we were anywhere near the right track. We had symbols, slogans, and superficialities. We seldom had substance."

"Decisions on farm policy will undoubtedly continue to be influenced by immediate economic conditions and needs," Bergland concluded, "but there has to be a better way to move toward policies that have a clear, honestly stated purpose and direction."

Today, as in 1981, when Bergland wrote those words, one of the chief reasons why reform is so difficult to achieve is that there is little consensus about the direction in which the nation's farms should be moving. "We ought to decide what kind of farm policy we want," wrote Naomi Bliven in the *Los Angeles Times*. "Our confused feelings, reflected in political indecisiveness, contribute as much to the farm problem as drought, high interest rates, or new technologies. It is difficult to clarify emotions, but after so many years of ambivalence, it is time to do so."

Thinking about the Schroeders

To return to where we began, how *should* the nation respond when farmers like the Schroeders are in trouble? Proponents of these four positions — each advocating a distinctive direction for America's farms — give different answers to that question.

Advocates of the first choice are less concerned about saving financially troubled farmers like the Schroeders than they are about maintaining the vitality of the farm economy as a whole. They favor the existing commodity programs, which offer subsidies to many farmers, regardless of their circumstances. They are concerned about any drastic change in the rules of the risky game farmers play. To them, subsidies offer necessary protection for farmers buffeted by the elements and frequently battered by equally uncertain market conditions.

Advocates of the second choice place a distinctive emphasis on the nation's farm *structure*, and the importance of maintaining diversity. Since they believe that subsidies should be targeted to needy farmers, they would provide special assistance to the Schroeders. It is in the nation's best interest, they feel, to maintain rural areas that consist of small and medium-sized farms as well as large ones. In their view, farm policy should have a social goal as well as an economic rationale.

Proponents of the third choice are convinced that the farm program has failed to provide effective income support at an acceptable taxpayer cost. In their view, offering special assis-

tance to financially troubled farms such as the Schroeders is ill advised. Subsidizing the least successful farmers is the wrong thing to do, both for them and for the nation as a whole. If such families deserve special assistance, the assistance should seek to ease the transition to other employment where prospects are better, and where labor and capital can be put to better use. As advocates of this position see it, chronic overproduction and sagging farm prices are symptoms of too much government intervention, not a sign that the government should do even more.

The fourth choice represents quite a different approach to the farm problem. It amounts to a fundamental criticism of the kind of farming that takes place in this country today. From this perspective, the farm problem cannot be solved simply by figuring out some way to raise farm income. What is required instead is a shift to farm techniques that emphasize conservation, and provide a sufficient yield not just to the current generation, but also to future generations. If this is your chief concern, you would provide additional assistance to the Schroeders only if they practiced sustainable agriculture.

"If the solutions proposed in the 1930s are no longer appropriate to the 1980s, there is as yet no consensus about the direction in which we should now be headed, or what kind of farm policy will take us there."

Food for Thought

So we face some fundamental questions about farm policy and the future of the nation's farms. Is there a compelling reason why the government should assist financially troubled farms when in most cases it doesn't provide similar assistance to other businesses that are in trouble? Is agriculture so crucial to our national well-being that it deserves substantially more government help than other industries? Is it in the nation's interest for the trend toward larger farms to continue? Would most farmers be better off if the government no longer influenced farm production and prices? Are current farming practices so destructive to the land, and so expensive, as to justify switching to different methods? These questions about which farmers deserve public subsidies, and why, are at the center of the farm debate. So too, is a final question: how much are we as taxpayers willing to pay for public subsidies to the farm sector?

Considering the differences among advocates of these four perspectives, in their diagnoses of the problem as well as their prescriptions, it is not surprising that debates about farm policy often consist of people talking past each other, or addressing what seem to be entirely different issues.

Several years ago, on a college campus in Indiana, former Secretary of Agriculture Earl Butz, an advocate of agribusiness, engaged in a debate on farm policy with Wendell Berry, an outspoken advocate of preserving small farms. "We've learned to feed ourselves with a little manpower and a shirttail full of resources, and let's never forget that," said Butz. "I'm talking about modern, scientific, technological agriculture. It's a big business. Our challenge is not to turn the clock back. Our challenge is not to put more people back on the land and therefore decrease the efficiency of American agriculture. Our challenge is to adapt to the changing situation in which we find ourselves."

With regard to that last statement, at least, Berry agreed. But he did not agree about what kind of farming deserves to be encouraged, or about what form the adaptation to a new situation ought to take. "As I see it," said Berry, "the traditional farmer — that is, the farmer who farmed with his family, who passed the land on down to people who knew it and had the best reasons to take care of it — stood at the convergence of traditional values: independence, thrift, stewardship, private property, neighborhood — values that decline as that farmer is replaced by a technologist whose only standard is efficiency."

Judging from what was said in congressional testimony for the 1985 farm bill, you might imagine that the farm debate revolves around such technical matters as price support levels and nonrecourse loans. But the underlying questions are matters of value. On that, at least, Earl Butz and Wendell Berry agreed, and their exchange suggests what citizens should be talking about regarding the future of the nation's farms. Perhaps it doesn't make sense to subsidize so many farmers in so many ways. Still, we need to reach some agreement about which farmers, if any, deserve assistance, and for what reason.

Since 1933, the government has played a more crucial role in agriculture than in any other sector of the economy. For all the ways in which farm policy has been amended since then, the foundations of today's program were laid more than 50 years ago. If the solutions proposed in the 1930s are no longer appropriate to the 1980s, there is as yet no consensus about the direction in which we should now be headed, or what kind of farm policy will take us there.

For Further Reading

Perhaps because the farm sector meets such elemental needs, the farm debate is characterized by strong sentiments and sharp differences. Fortunately, there is some fine writing for anyone who wants to take a closer look at the positions summarized here.

Andrew Malcolm's book, *Final Harvest* (New York: Times Books, 1986), which tells the story of a widely publicized murder-suicide involving a farmer and his son, is a sober and detailed portrait of farm life in the Midwest.

For a recent account that makes the case for the free market position, see Gregg Easterbrook's article, "Making Sense of Agriculture," which appeared in the July 1985 issue of *The Atlantic*. A report from the U.S. Department of Agriculture, prepared under the direction of Bob Bergland, contains useful background for this debate; see *A Time to Choose: Summary Report on the Structure of Agriculture* (Washington, D.C.: USDA, 1981). For a statement of the case against agribusiness, see Walter Goldschmidt, *As You Sow* (Montclair, New Jersey: Allenheld, Osmun, 1978). On the fourth of these choices, see J. Tevere MacFadyen's book, *Gaining Ground: The Renewal of America's Small Farms* (New York: Ballantine Books, 1985), and Wendell Berry's *The Unsettling of America: Culture and Agriculture* (San Francisco: Sierra Club Books, 1977).

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We also drew upon some good reporting and writing on this topic. We are indebted to J. Tevere MacFadyen, author of *Gaining Ground*, for several of the narrative examples that appear in Chapter 5. For the reporting on which the profile of the Schroeders is based, we want to thank the *St. Louis Post-Dispatch*.

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SEND MATERIALS TO:

_____ (Name)

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2. The Farm Crisis: Who's in Trouble, How to Respond

Now that you've had a chance to read the book or attend the discussion, we'd like to know what you think about this issue. Your thoughts and feelings about this issue, along with those of thousands of others who participated in this year's forums, will be reflected in a summary report prepared for policymakers and elected officials. Because we're interested in knowing how you've changed your mind, some questions are the same as those in the first questionnaire.

1. To what extent does each of the following contribute to the farm crisis?

	Major Factor	Minor Factor	Not a Factor	Not Sure
a. Bad management by farmers	☐	☐	☐	☐
b. The government has not spent enough to help farmers	☐	☐	☐	☐
c. There are too many farms producing too much food	☐	☐	☐	☐
d. The costs of farming are too high	☐	☐	☐	☐
e. Farmers can't afford to pay back their debts	☐	☐	☐	☐
f. The U.S. doesn't sell enough food to foreign countries	☐	☐	☐	☐
g. The prices farmers get for their products are too low	☐	☐	☐	☐

2. How much priority do you think each of the following should have in the government's farm program?

	Top Priority	Lower Priority	Not a Priority	Not Sure
a. Guarantee a steady and affordable supply of food by protecting all farmers against sudden price shifts	☐	☐	☐	☐
b. Help rural families and communities by providing more assistance to small and medium-sized farms and less to large farms	☐	☐	☐	☐
c. Encourage fair competition in agriculture by scaling down government's role in farming	☐	☐	☐	☐
d. Lower farmers' costs and conserve natural resources by providing special government incentives for farmers who use fewer chemicals and less energy	☐	☐	☐	☐

(over)

3. Here are some things that people have been saying about farms and farm policy. For each, check whether you agree or disagree:

	Agree	Disagree	Not Sure
a. Farmers who are in financial trouble should get more help from the government than those who are not	☐	☐	☐
b. Overall, the government's farm programs have done more harm than good	☐	☐	☐
c. The government spends too much money on programs to help farmers	☐	☐	☐
d. Farming is special — it deserves more help from the government than other industries do	☐	☐	☐

4. Which of these age groups are you in?

Under 18 ☐
18-29 ☐
30-44 ☐
45-64 ☐
65 and over ☐

5. Are you a

Man ☐
Woman ☐

6. What is your zip code? _____

7. We'd like to know whether, as you have read this book and attended the forums, you have changed your mind about the situation of farmers or what the government should do for them. How, if at all, did you change your mind?

8. If there were just one message you could send to elected leaders on the topic of U.S. farm policy, what would it be?

Please hand this questionnaire to the forum leader at the end of the session, or mail it to the National Issues Forum at 5335 Far Hills Avenue, Dayton, Ohio 45429.

"I know no safe
depository of the
ultimate powers
of the society but the
people themselves;
and if we think
them not enlightened
enough to exercise
their control with a
wholesome discretion,
the remedy is not
to take it
from them, but to
inform their discretion
by education."

Th. Jefferson